**The Incomplete Marx**

Felton C. Shortall

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Avebury

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Preface

As its title suggests, the present work is concerned with the sense in which the work of Karl Marx can be considered as being incomplete. To do this it first of all seeks to set the development and formation of Marx's work in its historical, intellectual and political contexts so as to show how both the logical and the political imperatives through which it was produced not only limits Marx's theoretical project that led to Capital, but also necessarily points beyond such limitations.

Of course the notion that the work of Marx is in some way incomplete Ls nothing new. Most critical confrontations with orthodox Marxism are in one way or another based on some notion that traditional Marxism fails to comprehend a fundamental aspect of modem society, and many are as a consequence led to trace such serious omissions back to Marx himself. Furthermore, the response that Marx work points beyond its own limitations - that Capital is not the culmination of Marx theoretical project, as Ls commonly supposed - is not a new idea either. Indeed, for example, the debate on whether Marx fully abandoned his proposed book on wage labour stretch back to the 1930s, and it is a debate that has been revived more recently by such writers as Lebowitz and Negri as means to overcome the 'objectivist' and 'deterministic' interpretations of orthodox Marxism.

The principal advance that the present work seeks to make over previous works on this question is to develop and substantiate these contentions that Marx work points beyond itself through a detailed examination of each the three Volumes of Capital. An examination which seeks to show how it was that Capital's logical imperatives necessarily came to impose a provisional closure within this work and thus how Capital must be necessarily seen to point beyond itself.

I readily admit that by setting out extensively the historical and intellectual context of the formation and development of Marx's theoretical project, in what I hope is an open and accessible style, and then by concentrating on a

detailed exegesis of the three volumes of Capital, has meant that I have had little space to draw out the implications of the provisional closure that I have described as being enacted within Marx. As a consequence I have not attempted to address the inadequacies of Marx in terms of his relation to the questions of ecology and the idea of progress, to the issues of feminism and the question of domestic labour, nor the issue of the nature of the relation of capital to the state, and all the other such questions raised by modem radical currents. Nevertheless, I would argue that the present work provides a firm basis on which such questions of the 'inadequacies' of Marx may be addressed and through which the revolutionary project of Karl Marx can be reconstructed in the post-Stalinist and post-Soviet era.

1 Introduction

1. Towards a critical reassessment of Marx

There was once a little sung refrain that went as follows:

The 'communist world' is not communist: the 'free world' is not free.

In the wake of the break up of the 'communist world' this has been all but drowned out by the triumphant cries of the ideologists of the Western bourgeoisie. We have been told that capitalism, the market and democracy have finally won; that communism is dead; that history is now well and truly at an end! But are we to accept that there is nothing left beyond the eternal rule of capitalism? Are we to believe that there is no hope of anything belter than this alien world? Is there nothing left to play for than the tired old postmodernist jukebox?

No, on the contrary, if nothing else the fall of the Eastern Bloc has put paid to all the old illusions of 'existing socialist societies' and the inanities of so- called 'degenerate workers' states'. Now it is clear there is no 'Russian gold', only ourselves, the 'enemy within'. The way has been cleared for the reconstruction of communism; for the rebirth of the real negation of capitalism that first came of age with the First International more than a hundred years ago.

Yet, with the final collapse of Soviet Marxism, any such reconstruction of communism demands more than ever a critical reassessment of its most lucid theoretical exponent - Karl Marx. Yet, as Paul Cardan1 pointed out in the wake of the 'destalinization' of the 1950s, can a theory that sought not merely to interpret the world but to change it be separated from its own consequences? Can we simply return to a 'true' Marx unsullied by the iniquities of Stalin? Indeed not. But at the same time we cannot just as

simply reject Marx out of hand.

Marx, with his efforts to reproduce the 'concrete in thought', has provided the most lucid theory of the essential movement of capitalist society which has now come to dominate the globe and within which we are all obliged to live. Indeed, as Mandel has pointed out:

When Volume I of Capital was first published, capitalist industry, though predominant in a few Western European countries, still appeared as an isolated island encircled by a sea of independent farmers and handicraftsmen which covered the whole world, including the greater part even of Europe... Since Marx wrote, capitalist technology and industry have indeed spread all over the world. (Capital\*I, p. 11)

Hence:

Today's Western world is much nearer to the 'pure' model of Capital than the world in which it was composed.

(Capital \*1, p. 12)

Marx, therefore, cannot be confined to the nineteenth century as many would like to have it. Indeed, there can be no final farewell to Marx so long as capitalism persists.

Yet nevertheless, it cannot be denied that Marx's theoretical efforts were delimited by the limitations of his own epoch. Most importantly, as Debord once pointed out, as a revolutionary theory that sought to practically transform the world, Marx's theory was confined by the very weakness of the revolutionary practice of his time:

The weakness of Marx's theory is naturally the weakness of the revolutionary struggle of the proletariat of his time. The working class did not set off the permanent revolution in Germany of 1848; the Commune was defeated in isolation. Revolutionary theory thus could not yet achieve its own total existence. The fact that Marx was reduced to defending and clarifying it with cloistered, scholarly work, in the British Museum, caused a loss in the theory itself. The scientific justifications Marx elaborated about the future development of the working class and the organisational practice that went with them became obstacles to proletarian consciousness at a later stage. (Debord, 1967, Thesis 85)

As a consequence, within the isolation of the British Museum, Marx's theory tended to become attenuated into merely an objective and deterministic science. Indeed it is this that allows Mandel to talk about the 'pure model' of Capital. But this:

...deterministic-scientific facet in Marx's thought was precisely the gap through which the process of 'ideologization' penetrated, during his own lifetime, into the theoretical heritage left to the workers' movement... Throughout his life, Marx had maintained a unitary point of view in his theory, but the exposition of the theory was carried out on the terrain of the dominant [bourgeois] thought and became precise in the form of critiques of particular disciplines, principally the critique of the fundamental science of bourgeois society, political economy. It is this mutilation, later accepted as definitive, which has constituted 'marxism'.

(Debord, 1967, Thesis 84)

Yet this deterministic-scientific exposition that we find in such works as Capital, and which has been taken as definitive by much of Marxism, is only one facet of Marx's theory; a particular, but necessary moment in its unfolding. As again Debord points out:

What closely links Marx's theory with scientific thought is the rational understanding of the forces that really operate in society.

But Marx's theory is fundamentally beyond scientific thought, and it preserves scientific thought only by superseding it; what is in question is an understanding of struggle, and not of law. We know only one science: the science of history.' (The German Ideology) (Debord, 1967, Thesis 81)

Here, with Debord, we can begin to disentangle Marx’s theory from its own practical consequences. Circumscribed by the very weakness of the communist and workers' movement of his time, Marx was unable to foresee how in practice his theory would be turned against itself. How capitalism would have to accommodate the growing power of the workers' movement and in doing so recuperate its theory as the ideology of labour. How, as such an ideology, Marxism would then come to serve as the last refuge of the bourgeoisie'2 and the 'first defence of the bureaucrat' in capital's attempts to prevent communism.3

Yet, Marx's theory could only be turned against itself because its exposition

and interpretation was one-sided; because its exposition in such works as Capital only stressed its scientific and objective side. This deterministic 'scientism' and 'objectivism' of Capital becomes clear once it is contrasted with Marx's more 'humanistic' early works, such as the 1844 Manuscripts. But these early works are themselves insufficient; they all point towards Capital. We cannot simply tear out and discard Capital and Marx's later critique of political economy, as writers such as Debord are wont to do.4 It is, as we shall contend, necessary to determine how the Marxian theoretical project points both through and beyond Capital.

Any return to Marx must, therefore, at one and the same time seek to go beyond Marx to find the Marx that has been lost. But before we can make this impetuous leap beyond the Marx that has come down to us we must first of all understand in detail how it is that the Marx that we have is incomplete. It is towards such an understanding that is the task that we propose to take up in the pages that follow.

1. The incompleteness of Marx

How then are we to approach this problem of the incompleteness of Marx? Firstly, with the publication and translations of both the Grundrisse and Marx's earlier works it has become widely recognized that there is much more to Marx than just Capital. Yet even if we only consider Capital itself there is much to suggest that Marx's work was far from being done. Indeed, there is little doubt that Marx's greatest theoretical work was left unfinished. In fact, it may be said that Capital stands as one of the greatest unfinished theoretical works of the modem era.

As is perhaps well known, despite being over two decades in the writing, only the first of Capital's three volumes was ever published during Marx's own lifetime. The long arduous task of transcribing and editing the numerous manuscripts that provided the material for the subsequent two volumes was left to Marx's close friend and associate, Friedrich Engels. It was not until 1894, eleven years after Marx's death, that all three volumes finally appeared in print. Yet even then lengthy passages in these posthumous volumes proved too much even for the long and devoted efforts of Engels to transcribe into a final and finished form. Since Engels preferred not to interpose his own work or interpretations in place of these passages in the final published versions of these final two volumes, we still find them in little more than their original note form. As such they stand as witness to Capital as still a work-in- progress.

But this is not all. According to Marx's original plan of work of 1857, his

'book on capital' was to have been only the first of six books - the other five being books on landed property, wage-labour, the state, foreign trade and the world market and crisis. Even if we accept Rosdolsky's contention that the first two of these five books were subsequently incorporated into the three volumes of Capital, this still leaves us the final three books unaccounted for. Were these three books abandoned, or do they point to the continuation of Marx's project through and beyond Capital itself? Furthermore, it may be asked, what happened to Marx's promise, which is repeatedly made in the course of Capital, of a separate work on the theory of competition, which was to have followed his 'general analysis', but which he never came to write?

Does all this not indicate that Capital was, even for Marx himself, part of a much larger theoretical project? A project that was to have developed through and beyond Capital as we find it?5

Despite such bibliographical evidence that Capital was part of a larger unfinished project, most commentators, whether Marxist or non-Marxists, have taken Capital, for all intents and purposes, as being complete. They have taken it as the culmination of Marx's life's work; as a definitive statement of his 'economics'. It has thereby been taken as an essentially closed work.

Yet, as we shall contend, it is through this very closure of Capital that Marx has been both assimilated in academia as a harmless alternative to orthodox bourgeois theories, and appropriated as the ideology of the surrogate bourgeois rulers of state capitalism. It is with this closure that Marx stands in a fundamental sense incomplete. However, as we have noted, in refusing such misappropriations of Marx it is insufficient merely to retreat to Marx's earlier works as often has been the case. It is necessary to locate Marx's incompleteness in Capital itself. To show how even this 'great scientific' work implicitly promises both the suppression and supersession of bourgeois science.

Central to our task will therefore be to show how, once placed within the trajectory of his theoretical project, Marx's exposition in the three volumes of Capital points beyond its immediate limits and closure, perhaps even at points escaping Marx's own conscious intentions.

How then do we propose to set about our task of revealing the incompleteness of Marx and the enactment of closure within his greatest work - Capital? Let us first consider our underlying line of argument before considering the outline of its presentation.

In the pages that follow we shall seek to show that, in coming to focus on a critique of political economy - which we then find presented in the three volumes of Capital - Marx was obliged to impose a provisional two-fold closure in, what we shall term, his broader thematic of 'capitalism and its overthrow'. Without going into too much detail, this provisional two-fold closure can be summarized as follows.

Firstly, Marx, in making his critique of political economy, was obliged to close off class subjectivity in order to grasp the logic of capital as an objective and positive system of 'economic laws' which is apparently independent of human will and purpose. Symptomatic of this provisional closure is that although Marx elsewhere places class struggle between the bourgeoisie and the proletariat as the driving force of the bourgeois epoch, in Capital he presents these classes as little more than 'character masks'. Indeed, the working class only enters in the principal analysis in Capital under the objective categories of labour-power and variable capital - as a mere object of capital.

Secondly, we shall seek to show that in making his general analysis of what capital is, Marx is obliged to emphasize the unity of capital. Even though Marx's dialectical presentation requires that he must repeatedly posit capital as contradiction, in the course of his exposition in Capital he has to repeatedly resolve such contradiction into an ever more concrete unity. As a result the question of crisis and rupture in capital's development, which would appear so vital for the Marxian theoretical project, becomes repeatedly deferred throughout the three volumes of Capital. It thereby becomes so fragmented and marginalized that we find no unified theory of crisis in Marx. Instead we find various fragments of such a theory indicated and sketched out in the numerous digressions that are marginal to the main thrust of Capital.

How then are we to set out this thesis of a provisional two-fold closure in the chapters that follow?

It is in chapters 8, 9 and 10 that we shall actually consider how the two­fold provisional closure within Marx's broader thematic is inscribed within each of the three volumes of Capital. But before we can examine this enactment of closure in Capital itself we have first to place it in context. We have to see how both Marx's broader thematic and his critique of political economy became constituted out of the articulation of his practico- revolutionary and theoretical projects. We have to see how the political and theoretical imperatives of his time, and Marx's own responses to them, came to shape the overall trajectory of the Marxian project.

Consequently we begin, in chapters 2 and 3, by tracing out in broad outline the genesis and trajectory of the Marxian project in terms of its political, historical and biographical context. In chapter 2, we shall see how Marx, as a radical bourgeois democratic, came to adopt the Young Hegelian thematic of 'human alienation and human liberation'; and how, with his eventual political exile and growing commitment to the socialist and workers' movements, he came to push this Young Hegelian thematic beyond its own limits, superseding yet preserving it within a new thematic of 'capitalism and its overthrow' with the foundation of historical materialism. Then, in chapter 3, we shall go on to see how, through his confrontation with both classical

political economy and his socialist adversaries, Marx was increasingly led to focus his theoretical concerns onto a critique of political economy, which eventually resulted in Capital.

Having considered the political and historical imperatives that determined the trajectory of the Marxian project we then turn to its internal theoretical imperatives in chapters 4 and 5. There can be little understanding of Marx's method or ontology, and hence little understanding of Capital and his critique of political economy, without an understanding of Marx's appropriation of Hegel's dialectic. In chapter 4 we therefore examine how the Hegelian dialectic emerged from classical German philosophy and how it came to be appropriated by Marx. We shall argue that Marx appropriates the Hegelian dialectic not merely by inverting it and placing it on a materialist footing, but by reconstructing it as a radically open, and implicitly plural, dialectic.

In chapter 5, we shall then see how this radical reconstruction of the Hegelian dialectic as not only a materialist but an open dialectic allows Marx to thematize capitalism as a transient mode of production whose persistence is only ever provisionally assured. As such it becomes necessary to see capitalist society in itself as being formed both through the 'objective logic of capital' - as the dialectic of capital, as well as against itself - the promise of the negation of capitalist society through the counter-dialectic of class struggle. Marx's broader thematic of 'capitalism and its overthrow' can then be seen as being constituted by the articulation of the dialectic of capital and the counter-dialectic of class struggle. In coming to focus on the problematic of political economy we find Marx closing in almost exclusively on the dialectic of capital. As a consequence we find the counter-dialectic of class struggle falling below the horizon of Marx's immediate analysis in the pages of Capital.

With chapter 6 we complete our conlextualization of Marx's critique of political economy by returning to consider the particular historical and intellectual context of the late nineteenth century in which Marx actually came to inscribe his provisional closure with his critique of political economy, and in which it was then sustained as a final closure by the first generations of Marxists. This then leads us onto the consideration of the actual enactment of closure itself; the heart of our analysis.

In chapter 7 we shall consider how the provisional closure enacted with Marx's critique of political economy is reflected in Marx's methodological transition from the process of inquiry (Forschung), evident in the Grundrisse, to the method of presentation (Darstellung) that we find in Capital. Through a critical engagement with the seminal works of both Negri and Rosdolsky, we shall seek to show how this provisional closure is inscribed within both 'the problem of where to begin the critique of political economy' and the change in outline of Marx's overall plan of work between the Grundrisse and

Capital.

In chapters 8, 9 and 10, we then proceed to consider how this provisional closure becomes enacted in each of the three volumes of Capital itself. Chapter 8 begins with Volume I. In the first part of this chapter we shall see how the opening chapters of Volume I serve to provisionally close off the question of crisis and the disunity of capital through the ultimate attenuation of Marx's abstract social labour theory of value to, what we shall term, a quasi-embodied labour theory of value. An attenuation which, as we point out in more detail in the concluding chapter, has allowed Marx to be readily, but erroneously, appropriated as the last of the classical political economists.

In the second part of chapter 8 we shall then proceed to consider how, with the theory of the production of surplus-value and the accumulation of capital that is set out in the remainder of Volume I, Marx comes to attenuate his broader theory of capitalist production as the historically contingent process of human alienation in the modem world to that of an objective process of exploitation. As a result we shall see how Marx's consideration of the worker as alienated subject so evident in his earlier works, becomes provisionally reduced to the worker as exploited object.

Having dealt with the enactment of closure within Volume I we shall then, in chapter 9, turn to consider its enactment in Volume II. Here we shall see Marx's necessary, but provisional, emphasis on the unity and persistence of capital is preserved through the resolution of the discontinuity inherent in capital's particular circulatory forms - such as fixed, latent and suspended capital - in the continuity of capital's overall process of circulation. But as we shall see, such a resolution is only ever tentative and provisional, and hence the possibility of rupture and crisis becomes visible within the very precariousness of capital's overall process of circulation.

In chapter 10 we shall then see how this possibility of rupture and crisis, that became increasingly visible through the precariousness of the overall circulation of capital, repeatedly erupts in the course of Marx's exposition concerning the distributional forms of surplus-value that we find in Volume III. However, as we shall argue, such eruptions of the question of rupture and crisis are still premature for Marx at this stage. Each marks a distinct digression from Marx's principal line of theoretical development that we find running through all three volumes of Capital and hence point beyond Capital itself. But as a consequence, we find no unified theory of crisis in Capital.

Having examined how Marx comes to inscribe his two-fold closure within each of the three volumes of Capital, chapter 11 steps back to consider the methodological structure of Capital as a whole, and in doing so draws our investigation into the enactment of closure in the three volumes of Capital together with our earlier discussion of Marx's appropriation of the Hegelian dialectic. Here we shall suggest that there is a close homology between the

logical development and presentation of Hegel's category of the Notion with that of Marx's category of capital. But, as we shall argue, it is a homology that is only sustained insofar as the provisional closure inscribed in Capital is itself sustained. So that, unlike Hegel's Notion which is closed within itself, Marx's category of capital necessarily comes to point beyond itself as a transient social category.

Finally, and by way of a conclusion, chapter 12 will briefly return to consider the implications of the failure to recognize the provision nature of the closure that we find in Capital for the subsequent development of Marxism. To this end we shall consider two important perennial controversies of twentieth century Marxism: firstly, the controversy surrounding the issue of the importance of human praxis and human alienation to Marx, which brings out the implications of the first part of the two-fold closure; and secondly, the issue of the validity of Marx's labour theory of value, which brings out the implications of the second part of the provisional closure. As we shall seek to argue through our examination of these two particular controversies, the translation of the provisional closure in Marx into a final closure within Marxism has meant that Marxists have found themselves trapped between adherence to a rigid dogmatism, exemplified by the orthodox Marxism of the Second and Third Internationals, or else to a total capitulation to revisionism or bourgeois liberalism.

Here then, we have set out in broad outline the course of our thesis concerning the incompleteness of Marx. Let us now begin by considering the origins and formation of the Marxian project.

Notes

1. See Cardan (1961)
2. Here I lift the phrase - 'Marxism: the last refuge of the bourgeoisie' - from the arch-critic of the orthodox marxism of the Second and Third Internationals - Paul Mattick. See Mattick (1983).

3 The notion that Social Democracy in both its Leninist and 'reformist'

forms has served as a means for the prevention of communism is presented in Binns & Dixon (1990).

1. For a critique of both Debord and Silualionism which centres on their failure to fully grasp Marx's critique of capital, and hence the importance of Capital, see Barret (1987).
2. In recent years there has been a considerable amount of research into Marx's method following the intense debates that arose in the 1970s surrounding the question of the state and the validity and character of Marx's labour theory of value. Some notable examples of this

research being Sayer (1983), Meikle (1985), Arthur (1986) and Banaji (1979). Such research has often, either implicitly or explicitly, come to the point of raising the question of the closure in Marx. Yet despite such efforts there has been little attempt to delineate in detail the closure and incompleteness of Marx, with perhaps the exception of Tony Negri, who, as we shall see, will serve as a vital point of departure for much of our analysis - see Negri (1991) - and Lehowitz (1992), who has done much to draw out the implications of Marx's 'missing book on wage labour'.

2 The formation of the Marxian project

Introduction

Marx's lifetime was a period of unprecedented social, economic and political change. From his birth in 1818 to his death in 1883, Europe, if not the world, was transformed out of all recognition by the changes wrought by the industrial revolution and the rapid urbanization that went with it. This was perhaps nowhere more so than in his own native Germany. In 1818 Germany was little more than a collection of petly-states that surrounded the two great autocratic powers of Prussia and Austria which together rested on a relatively backward rural economy. By the early 1880s, however, Germany, now united under the domination of Prussia, had become one of the major industrial powers of the world. An industrial power whose economic might was on the point of surpassing even that of the one time 'workshop of the world', Britain.

It was during Marx's lifetime that industrial capitalism came of age. In these decades, during which industrial capitalism came into its own throughout Western Europe, the nature of capital, as an alien power with its own objective laws of motion which served to produce enormous wealth beside mass poverty, was clear for all to sec. Yet what placed Marx above so many of his contemporaries was that he was both able and willing to look beyond the immediate contingencies of his time to grasp the essential laws of motion of capitalism as an historically specific mode of production. It was this very ability to identify the real tendencies in the development of capitalism, within which he then sought to root the revolutionary communist project, that made Marx the foremost socialist thinker of his time.

Indeed, it was this perceptive forcsightedncss that has made Marx such a formidable thinker, not only for the nineteenth century, but also for our own time. It is a formidability that has all loo easily demanded a total acceptance or a total rejection of his contemporary relevance. Yet while it is true that the

conditions of his own time allowed him to perceive the essential conditions of our own, it is equally true that these historical conditions imposed their own limitations on the development of what we may term the Marxian theoretical project.

However, it must not be forgotten that Marx did not seek simply to interpret the world he was in; he sought to change it. The formation and development of his ideas cannot be separated from the evolution of his political commitment to change. An evolution that led him from the radical democracy of his formative years to his commitment to communism and the cause of the proletariat. His theoretical project can only be fully understood as part of his much broader practico-revolutionary project which aimed to practically transform society. A practico-revolutionary project that both informed his theory and propelled it forward; defining and forming its questions into a distinct thematic.

This is all too easily forgotten once Marx's theoretical work is dissected in terms of the various academic disciplines such as philosophy, politics and economics. But it is vital to remember this if we are to understand the delineate the theoretical delimitations imposed within Marx.

So, before looking at the delimitations of Marx's theory as such, our first task must be to situate it in both its historical and political context. We must trace out both the formation and development of Marx's theoretical project and place it in both the context of the specific political imperatives that both informed it and impelled it forward, and the particular historical circumstances from which such imperatives arose. Only after examining the political and historical circumstances that made the Marxian project possible, but at the same time circumscribed it, will it then be possible to discern how it comes to point beyond itself - how it is that Marx is, indeed, incomplete.

Hence we shall begin, in this and the following chapter, by tracing out both the formation and the development of Marx's theoretical project and seek to place it within its broader political and historical context.1 In the course of this brief sketch of both the formation and development of Marx's project, which could warrant a substantial work in themselves, we shall, in these two preliminary chapters, have cause to touch on several important points that will be considered in more detail later in the text.

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The formation of Marx's project

It was with The German Ideology and Marx's Theses on Feuerbach that Marx, in partnership with Engels, arrived at historical materialism. Indeed, it

is with these writings that Marx can be said to have finally become a Marxist. Written between the Autumn of 1845 and the Summer of 1846, these two works expound the basis of historical materialism through a devastating polemic against the radical thinkers of Germany at that time.

It is with The German Ideology that Marx opens the way for the Marxian theoretical and practico-revolutionary project. A project which had the immediate practical effect of providing him with the critical philosophical grounds from which he was able to flght his political adversaries both inside and outside the early socialist movement and to develop the theoretical basis for communism. Hence, although The German Ideology was not published until long after Marx's death, its conclusions are clearly evident in his subsequent political polemics - such as The Poverty of Philosophy and the Communist Manifesto - as well as in his later works.

How then did Marx come to the point of writing The German Ideology? How did he come to the point of founding his theoretical project of historical materialism? How indeed, did Marx become a Marxist?

Marx was bom and grew up in Trier in Germany. In 1835 Marx became a student at Bonn University before moving to Berlin where he studied at the University of Berlin until the completion of his doctoral thesis in 1841.

Germany at this time was to a large extent socially and economically backward compared to the more industrially advanced European nations such as Britain and France. The old feudal institutions had only recently been destroyed and many of their old remnants and practices still persisted. Furthermore, Germany was still divided into numerous petty-states and it was only in 1834 that these states took the first step towards forming a modem bourgeois nation-state by agreeing to unite into a single customs union - the Zollverein - which served to lift the numerous trade barriers that had up until then frustrated the development of German capitalism.

Yet even with the stimulus of an enlarged home market German capitalists found themselves overwhelmed by the competition from their rapidly developing British counterparts. The abolition of serfdom, which had only occurred as late as the beginning of the century, had tended to benefit the large aristocratic landowners who had been amply compensated for the surrender of the feudal dues and had taken the opportunity to develop their own distinct agrarian economic interests as landlords. These agrarian interests were often in open conflict with those of the emerging industrial bourgeoisie. The economic weakness of the emerging industrial bourgeoisie meant that it was unable to impose its political domination and as a result found itself excluded from the political process by the 'junker' landlords who were able to retain their traditional hold on political power. The political and economic tensions that arose between these two conflicting propertied classes found their resolution and mediation within the all pervasive Prussian State

bureaucracy.

As Marx himself argues in The German Ideology, the effect of Germany's backwardness was that the real political and economic struggles that occurred elsewhere in Europe were fought out in Germany to a large extent in the realm of ideas. The real struggles became refracted into matters of philosophy. The Prussian State bureaucracy sought its philosophical justification within the works of Hegel. The rational, yet Christian, all encompassing Hegelian philosophy mirrored the all encompassing and rational aspirations of the Prussian Slate machine. It is perhaps not surprising then that when the real social tensions brought about by the beginnings of Germany's industrialization in the 1830s emerged they became focused on the philosophy of this Hegelian orthodoxy.

On arrival in Berlin in 1836 Marx found himself in the middle of a developing controversy between the radical Young Hegelians, who sought to turn the works of the late Hegel against the prevailing Hegelian orthodoxy and thus implicitly against the Prussian State, and the conservative Old Hegelians, who sought to defend the traditional Hegelian orthodoxy.2 Marx gravitated towards the Young Hegelians and the politics of bourgeois democratic radicalism that this implied.

The criticisms of the Young Hegelians did not pass unnoticed however, threatening as they did the ideological basis of the Prussian establishment. With the appointment of a new minister of culture, Eichom, the Prussian establishment began to restrict the academic freedom of the Young Hegelians through direct censorship and through the control of academic appointments. As a result Marx was obliged to abandon all hopes of an academic career and instead, along with many other Young Hegelians at this time, turned to journalism. In 1842, a few months after completing his doctoral thesis, Marx left Berlin and returned to Bonn. Here Marx began to contribute to the Rheinische Zeitung and within a short while became closely involved in running this journal to the point where, in October 1842, he was made editor- in-chief.

The Rheinische Zeitung was a political journal that sought to represent the views of the more radical and liberal wing of the emerging bourgeoisie of the rapidly industrializing Rhineland. As a consequence, his work for this journal led Marx to apply his thought to the pressing practical and political problems that were confronting Germany at that time. Marx could no longer remain confined to the realm of pure philosophy, as he had been able to do in his studies in the backwaters of Berlin. He had now to apply his philosophical education to the harsh social and economic realities that were readily apparent in relatively advanced industrial towns of the Rhineland. Marx's efforts to come to grips with these problems are clearly evident in his articles for the Rheinische Zeitung at this time which show a distinct shift away from the

purely critical philosophy of Young Hegelianism towards an overtly political radicalism.

At this time socialist and communist ideas were becoming increasingly popular amongst radical intellectual circles in Germany, no doubt stimulated by the repressive attitude of the Prussian State authorities. Since the German proletariat was still too undeveloped to produce such ideas itself these ideas were mainly imported directly from France. Young Hegelians, such as Mosses Hesse, took up such ideas and translated them into a purely philosophical form of socialism, which became known as 'true communism'. Such philosophical socialism was a logical extension of Young Hegelianism, with its radical criticisms of established religion being extended into a radical criticism of the existing state and society. However, Marx at this time did not at once follow this radical extension of Young Hegelianism. Attempts by 'true communists' to 'smuggle' such ideas into the Rheinische Zeitung were met by derision from Marx, and led him to distance himself from such 'true communists', and indeed Young Hegelianism in general.3 For Marx, now concerned with real political and practical issues, such utopian ideas lacked a 'real practical foundation'.

The growing popularity and radicalism of the Rheinische Zeitung under Marx's editorship brought with it the increasing attention of the state censors. In early 1843 the Rheinische Zeitung was closed down and Marx, later in the year, was obliged to leave Germany for Paris.

While French capitalism and industrialization lagged behind that of England, it was still far in advance of Germany, particularly in Paris. This, added to the strong revolutionary and political traditions passed down from 1789 and 1830, meant that there existed in Paris a relatively strong and politicized working class movement with distinct socialist and communist ideas. Hence in France, socialist ideas were not merely confined to radical intellectual circles, as had been the case in Germany, but had real practical foundations which, as a result, reflected pressing social, political and economic issues. As a consequence, once in France, Marx soon gave up his reservations regarding communism and socialism and became a committed communist. Indeed, while mixing with the French and German workers living in Paris, Marx came to the conclusion that it would only be with revolutionary action by the proletariat and the establishment of a communist society that the social problems of mass poverty and alienation, that were so evident to any concerned social observer, would be able to find their final resolution.

Marx's conversion to communism did not however distract him from his theoretical efforts, nor from the questions raised by Hegelian philosophy. On the contrary, it provided him with the means and commitment to go further. Freed from his responsibilities of editing the Rheinische Zeitung Marx now devoted his time in exile in Paris to a radical confrontation with Hegelian

philosophy. A confrontation that was to lead him towards an indepth study and critical appropriation of political economy that was ultimately to result in his greatest work - Capital - more than two decades later.

1. Feuerbach

At this time Marx had become greatly influenced by the work of Ludwig Feuerbach. Indeed, it could be said that Marx was at this time a Feuerbachian. And it was armed with the criticisms of Feuerbach that Marx began his critical confrontation with Hegelian philosophy. For Marx, Feuerbach had gone the furthest of all the Young Hegelians. All the Young Hegelians had recognized the alienated human condition of the modem world, particularly with regard to religion and the modem Christian Church, and all of them had sought the means for the liberation of humanity from this predicament. But whereas all the Young Hegelians had pursued this thematic of human alienation and human liberation by seeking to radicalize the philosophy of Hegel, Feuerbach, in contrast, launched an uncompromising attack on the very foundations of Hegel's philosophical system.

Feuerbach refused to accept Hegel's idealist starting point and instead insisted that religion and philosophy must start, not with the mind and ideas, but with real sensuous human beings. The problem of Christianity and modem philosophy for Feuerbach was that they had become alienated from the real nature of human beings and had thereby come to exist apart from real life. Therefore, for Feuerbach the task of human liberation was to construct a new humane religion and philosophy that would correspond to the essential nature of 'Man' - to his 'species being'.

What was important for Marx in Feuerbach was this materialist starting point that opened the way for a much more radical and total critique of Hegel, and the bourgeois order that he defended. Although those Young Hegelians who had become 'true communists' had gone beyond simply developing critiques of religion and philosophy to address social and political questions, they were always bound by their failure to break with Hegel and his idealism. Whereas Hegel and the Old Hegelians came to affirm the world through a simple change in attitude, these Young Hegelians equally sought to change the world, and liberate humanity, by a mere change in attitudes and perceptions brought about by their own 'ruthless criticism'. Although Feuerbach's critique of Hegel failed to go very far beyond religion and philosophy to address social and political questions, in contrast to the 'true communists', the materialist starting point of his critique suggested the need, that had become so apparent to Marx, for real social and economic change.

Marx's theoretical task therefore became that of developing and extending Feuerbach's critique of Hegel and Christianity so that it could address the

pressing real and practical social problems of bourgeois society. Thus in Marx's theoretical works of this period - the most notable of which are A Contribution to the Critique of Hegel's Philosophy of Right. Introduction., A Critique of Hegel's Doctrine of the State, On the Jewish Question and the 1844 Economic and Philosophical Manuscripts - we see Marx developing the Young Hegelian thematic of human alienation and human liberation in Feuerbachian terms through a critique of Hegel, firstly by extending it into realm of politics and the state, and then, when it became clear that this was insufficient, to the question of political economy.

Yet, as we shall see, in developing and extending the Young Hegelian thematic to address the political and economic basis of human alienation, Marx was obliged to go beyond Young Hegelianism, even in its Feuerbachian form, to the point where he could establish historical materialism and, with it, his own thematic of capitalism and its overthrow.

Let us at this point briefly consider this confrontation between Marx and Hegel.

1. Hegel

It is perhaps not surprising that Marx, who had so recendy experienced the repressive nature of the Prussian State as the editor of the Rheinische Zeitung, should have directed his critical faculties against the Prussian State; nor is it surprising, given his schooling in Hegelian philosophy, that he should begin his attack on the Prussian State through a critique of Hegel. But what is the significance of this critique of Hegel in the formation of the Marxian project? Why has it been considered by many to be of such importance in understanding the later development of Marx's theory?

We have already noted the relative backwardness of Germany in the 1840s, and this relative backwardness had been even more acute in the earlier decades of the century when Hegel was writing. Indeed, in making his philosophical defence of the post-Restoration Prussian State in his Philosophy of Right Hegel is found defending a state that was still marked by the remnants of its feudal past, and was in many respects far from what we would now consider as being an exemplary modem bourgeois state. Thus, for example, we find Hegel defending, as ideal, a sovereign monarch whose powers would far exceed those that would be countenanced as ideal in any latter day bourgeois democracy.

It would seem then, that in making his critique of Hegel, Marx was confining his attack to the defence of the particularly backward Prussian State of the early nineteenth century. Why should such a seemingly parochial critique of an arch-conservative such as Hegel have any continuing importance in the development of Marx's theory? Why should he have not

turned his attention to France or Britain, as he was later to do with his critique of political economy, whose bourgeois development was well in advance of that in Germany?

Hegel's defence of the Prussian State, as a philosophical defence, sought to present the actual existing Prussian State as a manifestation of the ideal state. To this degree, for Marx, Hegel came to universalize his defence of the Prussian State into a defence of the modem bourgeois state in general. Of course Marx was well aware of the relative backwardness of Germany and its institutions, but, as Lucio Colletti argues:

Nonetheless, in spite of...strikingly pre-bourgeois or anti-bourgeois features in Hegel's thought Marx does not take him to be the theorist of the post-1815 restoration. He is seen, rather, as the theorist of the modem representative state. The Hegelian philosophy of law and the state does not reflect the historical backwardness of Germany but - on the contrary - expresses the ideal aspiration of Germany to escape from that backwardness. It is here and only here (on the plane of philosophy rather than that of reality) that Germany manages to be contemporary with France and England and stay abreast with the 'advanced world'. (MEW, p. 29)

Thus Marx saw Hegel's Philosophy of Right as not merely a philosophical apology for the Prussian State as such, but the basis for an apology for the bourgeois state in general. An apology that could be universalized due to its very conservative idealism. Yet, as we shall see, it was this very speculative idealism, which could dispense with empirical detail, that provided the opening for Marx's critique of Hegel.

Under the cloak of his idealist dialectical method Hegel was, for Marx, able to make a far more illuminating and sophisticated analysis of the bourgeois state than would have been the case for a more empirical and materialist bourgeois apologist. Hegel readily recognized the alienated and conflictual relations that arise within bourgeois society. Indeed, in the Philosophy of Right, Hegel, having begun with the isolated will of the bourgeois individual, investigates in detail how the wills of individuals come into mutual conflict within the war of all against all of the market place and bourgeois civil society. However, for Hegel such conflicts are ultimately resolved and reconciled within the totality of the state, which is itself the actually existing expression of the historical revelation of the Absolute Spirit - of God.

As a consequence we find in the Philosophy of Right a movement of revelation in which concrete categories are revealed to be subordinated as the means to the end of the ever more abstract and ideal. A movement of revelation that proceeds from civil society to the state, and then to God,

which then serves to reveal a reverse movement of determination.

Taking Feuerbach's materialism as his point of departure, Marx criticizes Hegel for inverting the relationship of ideas to reality - and thus of the predicate to the subject. On this basis Marx seeks to show how Hegel's movement of revelation is in fact the actual movement of determination. The state is not the political realization of the Idea of the Absolute Spirit revealed through the course of history but is rather the product of the real relations of bourgeois civil society.

The implications of this line of argument that we find in A Contribution to the Critique of Hegel's Philosophy of Right. Introduction., A Critique of Hegel's Doctrine of the State and On the Jewish Question is that Marx is driven to the conclusion that, in order to understand how the state arises out of the real material conflicts of bourgeois civil society, and in order to address the pressing political questions of his day that arise from the state acting as an alien political force acting over and against society, it is necessary to examine the economic relations that serve to constitute civil society. Indeed, it becomes readily apparent to Marx that the basis of the alienation of the modem world lies in the organization of the economy. This becomes evident in the last of his major works in this period, The 1844 Manuscripts.

With the 1844 Manuscripts, which are perhaps the most important of Marx's 'early writings', Marx finally brings his critique of Hegel and classical German philosophy to the terrain of the economic. It is here that he finally fully confronts the idealism of German speculative philosophy with the 'social question' - that is the social problem of the alienated and immiserated material existence of the proletarian masses.

In the first of these manuscripts, Marx sets out the results of his preliminary research into the writings of the political economists concerning the all important 'social question'. As Marx shows through extensive quotation, bourgeois political economy did not seek to hide the plight of the working class; on the contrary, their analysis of how the bourgeois economy not only generates enormous wealth, but also mass poverty, was far more perceptive than any of their socialist critics. Rather, these champions of the bourgeois order took such mass poverty and alienation as socially inevitable. For them, the 'poor would always be with us', since for them there was no alternative to capitalism.

Hence, Marx establishes the position that the fault of the political economists was not, as many socialists insisted, that they failed to understand the 'social problem' but that they took it to be inevitable. This fault arose because they assumed capitalism was natural, and hence the single and eternal social form for the organization of production and society. Having identified both the perceptiveness and the fundamental error of bourgeois political economy, Marx was then able to turn its empirical materialism against the

idealism of German speculative philosophy in the remaining manuscripts.

By rewriting Hegel in materialist terms, Marx finds that Hegel 'takes the standpoint of political economy'. Indeed, as Marx reveals, Hegel is able to go further than the political economists in recognizing capitalist production as both a process of alienation, and a specific product of history. Yet Hegel can only do so, without betraying his own bourgeois perspective, because he ultimately denies the materiality of human labour, and with it the very materiality of the 'social problem'. He is thereby able to deny the 'social problem', seeing the resolution of human alienation as merely a question of a change in attitude to the world.

So, here in the 1844 Manuscripts, Marx uses the empirical materialism of political economy as the fulcrum with which to overturn the idealist and speculative philosophy of Hegel. Yet in doing so Marx comes to identify and rescue the 'rational kernel' of Hegelian philosophy from its 'mystical shell' - that is, its dialectical method. Indeed, it is through this confrontation between Hegel and political economy that we find how Marx in these manuscripts comes to appropriate Hegel's dialectic, not only by placing it on a materialist footing, but, as we shall see in chapters 4 and 5, by reconstructing it as a radically open and plural dialectic. It is with this appropriation of the Hegelian dialectical method, that Marx, as we shall see, was able to develop his subsequent critique of political economy beyond the preliminary criticism that he had reached in 1844.

However, the importance of the 1844 Manuscripts is not only that in them we find the culmination of Marx's critique of Hegel; it is also within these manuscripts that we find the beginnings of Marx's break with Feuerbach. As we shall see in chapter 4, where we shall consider the 1844 Manuscripts in more detail, in the course of Marx's confrontation with Hegel and bourgeois political economy, it became clear that Feuerbach's ontological starting point of real sensuous human beings - 'Man's species being' - was no longer sufficient It now became necessary to start with human praxis - the interaction of human beings with nature.

However, Marx had yet to develop this divergence from Feuerbach into an explicit break. This was only to occur after the establishment of his life-long collaboration with Engels which was only just beginning at this time.4

1. Engels

In the Summer of 1844 Marx met Engels and established a friendship that was last the rest of his life. Engels, like Marx, had been influenced by Young Hegelianism and had also made the transition from radical bourgeois politics to a commitment to communism and the cause of the proletariat. Although Engels had only flirted with Young Hegelian ideas, attending a few lectures

while at military school in Berlin, he was far more acquainted with the practical political and economic issues and conditions of the day. Engels's family business commitments meant that he was obliged to make frequent journeys between England and Germany which gave him first hand experience of the conditions of advanced industrial capitalism that were developing in the industrial centres of England and the misery and mass poverty that had been brought in its wake. He had also fostered direct contacts with leading members of the British Chartist Movement, the first mass proletarian movement, which at that time was at its height. Hence, whereas Marx had made the transition to communism and the cause of the proletariat to a large degree on the basis of abstract reasoning and reflection - so that he could pose the question of how to liberate humanity, and then found the solution as communism achieved through the revolt of the proletariat as the 'universal class' - Engels made his transition far more on his basis of the immediate experience and observations of the effects of capitalism and the efforts of the working class to resist it.

Undoubtedly Engels had an important complementary effect on Marx, encouraging him to take a more empirical direction in his thought. Through Engels Marx was led towards a greater concern with the practical everyday questions of political economy and the politics and conditions of the advanced working class of England. But Engels also inspired Marx with the importance of their historical situation.

Engels, at this time, was enthused with the belief that social revolution was fast approaching, not merely in England where Chartism was organizing the working class into a mass political movement, but also in Germany which he believed could not remain far behind. This enthusiasm is clearly reflected in a series of reports which he wrote for the radical English paper The New Moral World. For example Engels wrote:

A short time ago I visited several towns on the Rhine and everywhere I found that our ideas had gained, and were daily gaining more vantage ground than when I last left those places. Everywhere I found fresh proselytes, displaying as much energy in discussing and spreading the idea of Communism as could possibly be desired. (MECW Vol. 4, p. 234)

Engels admits later in this article that most of these 'proselytes' were middle class, but contented himself with the argument that it could be only a matter of time before the growing German proletariat would make these ideas their own.

Engels's belief in the approach of the social revolution was underpinned by his theory of economic crisis. In his article 'Outlines of a critique of political

economy', which was to serve as an important starting point for Marx, Engels had set out his position on political economy and its relation to the social question. In this work Engels had examined the various controversies that had arisen within bourgeois political economy with regard to the plight of the working masses, and had concluded that none of the various protagonists had grasped the root of the problem as lying in private property. Hence, for Engels, none of these protagonists could understand how great wealth could coexist with mass poverty; nor how feverish economic activity of periods of economic boom would necessarily give way to the enforced idleness of economic slumps.

For Engels, the problem was that the institutions of private property not only deprived the producers of the right to their own produce, but at the same time they were driven to restrict the producers' consumption. In order to maximize profits, wages, and hence the ability of workers to consume, would be ceaselessly driven below that necessary to absorb the increase in the mass of commodities produced by the great advances in the productivity of labour brought about by the application of modem technology. As a result capitalism was doomed to ever worsening crises of underconsumption, crises that would ultimately lead to the overthrow of the domination by private property.

However, while he set out his 'underconsumptionist' theory of crisis in his 'Outlines of a critique of political economy1, it is in his 'Speeches in Elberfield' that we find Engels most clearly relating his theory of crisis to the prospect for social revolution in Germany. In the first of these speeches Engels compares the chaos and misery of capitalism to what would be possible within a communist society and consequently establishes the desirability of overthrowing capitalism. Then, in his second speech, Engels seeks to demonstrate the economic necessity of such an overthrow by showing how economic crisis and breakdown is inevitable.

For Engels, English capitalists were reaching the limits of their domestic markets. With wages in England pressed to the barest minimum in order to maximize profits, and yet with the rapid advances being made in the productivity of labour, English manufacturers faced a huge surplus of production which now threatened to swamp the rest of Europe, including Germany. Faced with the prospect of most of her domestic industry being ruined by this flood of cheap but high quality manufactures, the German bourgeoisie had few viable options.

If Germany retained its current import tariffs then most of her industry would go to the wall, creating the conditions for social revolution. If, however, tariffs were raised to protect the infant German industries until such time as they could compete with those of England then, either the ruin of German industry by a flood of English imports would merely be delayed.

which would be the case if tariffs were removed too early or German industry was unable to catch up with its English rivals, or else a trade war would break out between equally competitive German and English industry leading to their mutual ruin. If, as a third case, Germany permanently raised its tariffs, then German industry would eventually, like its English counterparts, find its domestic markets over-saturated and face a crisis of underconsumption. Thus Engels concludes:

...the unavoidable result of existing social relations, under all circumstances, and in all cases, will be social revolution.

(MECW Vol. 4, p. 262)

Marx undoubtedly shared Engels's belief in the approach of the social revolution at this time. This is clearly illustrated by Marx's reply to Ruge's attempt to diminish the importance of the Silesian workers' uprising of June 1844.

Ruge, who had been a close friend and fellow Young Hegelian of Marx but who had not gone along with Marx in taking up the cause of communism and the proletarian revolution, published in the journal Vorwarts an article which had argued that the workers' uprising had been weak and insignificant, a fact borne out by the lack of alarm shown by the Prussian State, as represented by the King of Prussia. Furthermore, he proceeded to argue that the nonpolitical nature of the 'Germans' meant that the social distress that was the inherent cause of the uprising would never be recognized as being a general problem and hence such particular uprisings could never solicit a general solution to the problem of mass poverty.

For Marx, for whom the Silesian uprising was clear evidence of the revolutionary potential of the German proletariat, Rugc's article could not be left undisputed. Hence Marx was swift to make his reply in an article entitled Critical marginal notes on the article "The King of Prussia and Social Reform by a Prussian'". In this article Marx first of all seeks to dismiss the notion, implicit throughout Ruge's article, that the solution to the 'social problem' lies in its recognition by the progressive bourgeoisie. As Marx is at pains to make clear, when Ruge talks about the 'Germans' he is talking about the German bourgeoisie. But for Marx it is not because they are German that the German bourgeoisie fail to recognize the 'social problem' and hence introduce the necessary economic and political reforms to solve it, rather it is because they are bourgeois and as a consequence are dependent for their very economic position on the maintenance of the 'social problem'.

To demonstrate this Marx draws on Engels's 'Outlines of a critique of political economy' to show how even in England the various factions of the propertied classes were unable to agree on the nature of the 'social problem'

even if they recognized it. As Marx observes:

According to the Whig, the main source of pauperism is the monopoly of big landownership and the prohibitive legislation against the imports of com. According to the Tory, the whole evil lies in liberalism, in competition, and in excessive development of the factory system. (MECW Vol. 3, p. 192)

Neither the Tories nor the Whigs could find a complete solution to the 'social problem' because each side represented economic interests that depended on the domination of the mass of working people. Instead they could at most only see one side of the problem which least threatened the economic interests that they sought to represent.

In making this reply Marx thereby makes it clear that not only can the 'social problem' be solved solely through the revolutionary economic transformation of society, but that political positions are ultimately determined by economic self-interest and hence such a radical transformation can only be brought about by the proletariat itself. But Marx does not stop there. He attempts to demonstrate, against the pessimism of Ruge, that a proletarian revolution is not only a general possibility but a real possibility in Germany itself!

Against Ruge's insistence that the Silesian uprising was weak and ineffectual Marx argues that it was advanced, at least in terms of its class consciousness:

The Silesian uprising begins precisely with what the French and English workers uprisings ended, with consciousness of the nature of the proletariat. (MECW Vol. 3 p. 201)

Furthermore, it is the very political weakness of the German bourgeoisie that Ruge laments which for Marx offered the German proletariat its greatest advantage over its French and English counterparts in carrying out its revolutionary tasks:

For, just as the impotence of the German bourgeoisie is the political impotence of Germany, so also the capability of the German proletariat - even apart from German theory - represents the social capability of Germany. (MECW Vol 3, p. 202)

It was this shared belief in the imminent prospect of social revolution - what is more a social revolution in which Germany would be at the forefront - that spurred both Marx and Engels into an intensive period of theoretical

activity which within little more than a year of their collaboration resulted in them founding the 'new world view' of historical materialism.

Towards historical materialism

1. Against Young Hegelianism

In The history of the communist league' Engels recalls the theoretical and practical tasks facing both Marx and himself during this period:

It was our duty to provide a scientific foundation for our view, but it was equally important for us to win over the European and, in the first place, the German proletariat to our conviction.

(MESW, p. 443)

In the absence of a mass revolutionary proletarian movement Marx and Engels could only seek to confront the existing radical and critical theory out of which any future proletarian theory would have to develop. This meant that they had now to engage with the remnants of Young Hegelianism.

Marx and Engels's optimism regarding the prospects of proletarian revolution was not shared by many of their former Young Hegelian associates. Those, such as Ruge, while sympathetic to the plight of the proletariat and for the idea of a communist society had little confidence in the proletariat's ability to carry out a communist revolution. For others, such Edgar and Bruno Bauer, the motive of historical change remained, as with Hegel, in the realm of ideas and thus belonged to the pure thought of critical intellectuals. For them it would be philosophers like themselves, armed with a relentless criticism of everything - a critical criticism - that would be the agents of change, not the immiserated and ignorant proletariat.

It was against such ideas put forward by Edgar and Bruno Bauer that Marx and Engels wrote their first collaborative work The Holy Family. Indeed, it was ideas, such as the Bauers', which stemmed from speculative idealism that Marx and Engels saw as the greatest obstacle to the spread of the own conceptions, which at this time they termed 'real humanism' in deference to Feuerbach. As they comment in the introduction of this work:

Real Humanism has no more dangerous enemy in Germany than spiritualism or speculative idealism which substitutes 'self- consciousness ' or 'the spirit' for the real individual man... What we are combating in Bauer's criticism is speculation reproducing itself as a caricature. We see in it the most complete expression of

Christian-Germanic principle which in the last effort, transforms 'criticism' itself into a transcendent power. (Marx, 1956a, p. 15)

So with The Holy Family we find Marx turning his attention away from developing a critique of Hegel out of a Young Hegelian standpoint to launch an attack on Young Hegelianism itself. Indeed, in The Holy Family we find a scathing and mocking polemic which lays to rest Marx's and Engels's former adherence to Young Hegelianism, and which reaffirms their commitment to materialism and communism. Against the disdain for the proletariat held by such radical German thinkers as the Bauer brothers and their consequent retreat into the cloistered battle of ideas in the face of the repression of Prussian State, Marx proclaims:

The question is not what this or that proletarian, or even the whole proletariat at the moment considers as its aim. The question is what the proletariat is, and what consequent on that being, it will be compelled to do. (Marx, 1956a, p. 53)

Here, in lucid political terms, we find Marx asserting the primacy of being over thought through which he and Engels and himself came to overthrow not only the pretensions of Young Hegelianism but the whole of classical German philosophy, including Hegel, and the basis upon which they came to establish historical materialism. Yet with The Holy Family Marx and Engels have yet to make their break with classical German philosophy complete. They are still only attacking that part of it represented by the Bauer brothers and their followers. It is not until The German Ideology that Marx and Engels can be said to have finally made the break, and it is only with this work that it can be said that historical materialism was finally formed.

So what is it then that makes The German Ideology such a watershed in Marx's theoretical development? Why is it that it is only with The German Ideology that it is considered that historical materialism truly comes into existence, so that Marx can finally be said to have become a Marxist? The answer is that with The German Ideology Marx finally breaks with Feuerbach.

1. Against Feuerbach

As has already been mentioned, during his exile in Paris Marx was very much under the influence of Feuerbach; so much so in fact that at the time it could have been said that Marx was little more than a Feuerbachian. In the 1844 Manuscripts, for example, Marx has nothing but praise for Feuerbach:

Feuerbach is the only one who has a serious, critical attitude to the Hegelian dialectic and who made genuine discoveries in this field.

He is in fact the true conqueror of old philosophy.

(MECW Vol. 3, p. 328)

While in The Holy Family Marx rallies to the defence of Feuerbach’s emphasis on human passions against the oblique but mocking attacks of Edgar Bauer. Yet, less than a year later, Marx and Engels write in The German Ideology:

In reality and for the practical materialist, i.e. the communist, it is a question of revolutionising the existing world, of practically attacking and changing existing things. When occasionally we find such a view with Feuerbach, they are never more than isolated surmises and have much too little influence on his general outlook to be considered here as anything else than embryos capable of development. Feuerbach's 'conception' of the sensuous world is confined on the one hand to the mere contemplation of it, and on the other to mere feeling; he says 'Man' instead of 'real historical man'. (Marx, 1846, p. 62)

Here, in The German Ideology, Feuerbach becomes lumped together with all the other Young Hegelians and charged with fighting 'ghostly battles' in the realm of pure thought which have no practical grounding or implications.

As we have already noted, the importance of Feuerbach to Marx had been that, rather than attempting to rescue the radical kernel of Hegel's system from its conservative conclusions - which had been the common approach of other Young Hegelians - Feuerbach had rejected Hegel outright by adopting an immediately materialist starting point. Feuerbach had abandoned Hegel's idealist starting point of the Absolute Spirit and replaced it by the material and sensuous 'Man'. It was from this starting point that Feuerbach then proceeded to make his critique of Hegel's defence of established Christianity.

Marx, as we have also noted, took up this starting point and extended Feuerbach's critique of Hegel from the realm of religion and ideology into those of politics and economics. However, in extending Feuerbach's critique in such a direction Marx had been obliged to operate with Feuerbach's rather abstract conception of Man' and humanity's 'species being' in more and more concrete and historical terms. Indeed, as we shall see in more detail in chapter 4, by the 1844 Manuscripts Marx had come to abandon Feuerbach's immediate identity of Man' and nature as the starting point of his dialectic and had replaced it by a relation of Man' to nature mediated by human praxis. As we shall see, by introducing human praxis as the ontological starting point for

his dialectic and then considering its alienation in the form of wage-labour, the direction of Marx's analysis moved unavoidably towards undermining the original ahistorical and anthropological point of departure of Feuerbach.

Yet as we have observed, in 1844 Marx still remained firmly committed to the importance of Feuerbach. While rapidly developing his critique to bursting point, Marx still remained within the anthropological shell of Feuerbach's critique. However, in the Spring of 1845, shortly after moving to Brussels, Marx wrote his eleventh Thesis on Feuerbach, which together with The German Ideology mark his complete break with Feuerbach.

What then stimulated this sudden break? Perhaps the most important event which stimulated it was the publication of Max Stimer's book The Ego and His Own.

1. Against Stimer

Up until the publication of Stimer's book, Marx and Engels could be content to concentrate their polemics on those Young Hegelians who sought to dismiss communism and social revolution in favour of 'critical criticism'. It was relatively easy for Marx and Engels to mock such Young Hegelians for dealing with idealist abstractions which were divorced from practical reality and thus impotent against the encroachment of the existing social order. They could claim that by siding with the proletariat and taking a clear communist and practically materialist position they had firmly placed themselves on the ground of reality. Of course Marx and Engels could have been charged with idealizing the capability of the proletariat and of being utopian but this paled into insignificance when compared with the ineffectual idealist pretensions of their opponents. However, with the publication of The Ego and His Own such complacency had to change.

In The Ego and His Own Max Stimer brings the Young Hegelian movement to its logical conclusion by turning all the means that it had used to criticize religion and the establishment against itself. Indeed, Stimer draws out the arguments of the Young Hegelians, particularly that of Feuerbach, to a devastating conclusion by exposing its very weakness as simply another embodiment of what it sought to criticize in previous philosophy and religion.

In relation to Feuerbach, Slimer argues that Feuerbach's 'Man' is itself an abstraction alien to the real individual's ego, and as such an abstraction, it can only return to oppress the real concrete individual ego just as the abstract notion of God does according to Feuerbach:

The supreme being is indeed the essence of man, but, just because it is his essence and not he himself, it remains quite immaterial whether we see it outside him and view as 'God', or find it in him

and call it the essence of 'Man' or 'Man'. I am neither God nor Man... (Stimer, 1971, p. 41)

The basis for reality was, for Stimer, the real individual ego, and the will of that ego; all else was merely alienated abstractions that could only serve to ensnare the individual will. But Stimer did not stop there. From this uncompromisingly individualistic stance Stimer launched a devastating criticism of the ideal of communism. For Stirner, communism, in holding up the ideal of a human community undivided by private property, merely held up another ideal abstraction which, like that of God, would end up crushing the individual will under the alien demands of 'society' and 'humanity'. As a consequence, for Stimer, each individual would find themselves obliged to sacrifice themselves for the 'common good' and submerge their own individuality within the uniform collectivity of the 'community' and 'humanity', just as the church and state demanded in the name of God and the law.

So, with Stimer, the Young Hegelian attempt to overcome the alienation of modem society by returning to 'Man' to his essence is fatally flawed. Even communism, where Marx and Engels had hoped to find the return of humanity to its true essence, now, with Stimer, appeared as a forlorn hope, since this very essence was now itself revealed as being necessarily alien to the really existing individual ego. The only answer was for each individual ego to pursue its own will and desires regardless of others.

Clearly this attack on communism, even if for the most part directed at the ideas of the 'true communists' within the Young Hegelian movement, had an important impact on Marx and Engels. Not only did Stimer challenge the very notion of communism in general, he also exposed the very weakness of Feuerbach's conception of human essence upon which Marx and Engels had developed their own theory of communism. By attacking Feuerbach, Stimer threatened not only to bring down the whole edifice of the communist theory of Marx and Engels, but also threatened to discredit them in the eyes of the radical circles of Germany to whom they were still regarded as extreme Feuerbachians. It is perhaps no surprise then that a reply to Stimer takes up a large, if now neglected part of Marx and Engels's subsequent work, The German Ideology, nor is it a surprise that in this work they suddenly seek to distance themselves from Feuerbach.

In their polemic against Stimer in The German Ideology, Marx and Engels seek to demonstrate that his own conception of the individual ego is itself a 'ghostly abstraction’ that has been tom from its real historical and social context. As Marx and Engels proceed to argue, in his fight against illusions, Stimer himself fails to see how these illusions themselves emerge from the real historical and material world. As a result Stimer's smuggle against the dominance of alien abstractions and illusions only takes place within his own

head. Hence, like all Young Hegelians, Stimer is trapped within idealism. His efforts to change the world only amount to a change in attitude of mind.

In order to press home their attack on Stimer's idealism Marx and Engels had to emphasize the historical and material nature of human beings. The individual ego does not just appear out of nowhere with its own self- determined will and desires but is the product of a given historically determined society with given material circumstances. However, in stressing this Marx and Engels had to break completely with the Feuerbachian conception of an eternal human essence, of 'Man' as a 'species being', so as to posit the human essence as something historically defined. This emerges most clearly when they turn to defend their conception of communism against Stimer's attacks.

Against Stimer's view that communism would reduce everyone to the lowest common denominator - to the level of the pauper - Marx and Engels argue that in bringing communism about the proletariat would necessarily come to transform itself. Thus rather than the communist revolution bringing the return of humanity to its essential being - an essential being which Stimer took to be no more than the existence of the bulk of humanity, the proletariat, with all the poverty and ignorance that entails - it would transform the essence of humanity. In transforming the world the proletariat would transform itself. As they remark:

'Slimer' believes that the communist proletarians who revolutionise society and put the relations of production and the form of intercourse on a new basis - i.e. on themselves as new people, on their mode of life - that these proletarians remain 'as of old'... In revolutionary activity the changing of oneself coincides with the changing of circumstances. (MECW Vol. 5, p. 214)

Conclusion

Hence, against Stimer, Marx and Engels were obliged to make their complete break with Young Hegelianism. They could no longer regard themselves as radical Feuerbachians. Yet in this very break, in this very discontinuity through which historical materialism was bom, we can still see the thematic of Young Hegelianism - of human alienation and human liberation - preserved within its very supersession.

In making their break from Feuerbach, Marx and Engels sought to replace 'Man' by 'real historical man'. It was now no longer sufficient to reveal that 'Man' was alienated, and from this to seek the means for his liberation. It was now necessary to show how human beings became alienated in specific

historical circumstances and within given material conditions; and it was therefore necessary to show how these historical circumstances and material conditions could be overturned so as to facilitate the liberation of humanity.

The immediate problem was therefore to see how human beings were alienated within existing capitalist society, and how the very conditions of this alienation could provide the means for the liberation of humanity through a communist revolution. The Young Hegelian thematic thereby was both preserved and superseded in the new thematic of 'capitalism and its overthrow' which was politically and practically inscribed within the new 'science' of historical materialism through which Marx and Engels now sought to apprehend the world and its history.

The final break with Young Hegelianism, however, brought with it a final break with the radical German intellectual circles that had up until then been the main focus for Marx's political and theoretical activities. As we shall see in the next chapter, Marx was now increasingly propelled into the practical politics of the still embryonic socialist and workers' movements, both in England and on the continent An involvement that, as we shall sec, in turn propelled Marx towards his critique of political economy.

Hence, as we shall argue, not only was it a logical necessity of his new thematic to understand what capitalism is in itself, but also that such an understanding became a political imperative imposed by Marx's political involvement in the contemporary socialist and workers' movements. It was from both of these logical and political imperatives that Marx was driven to make his critique of political economy as the first moment in the elaboration of his new thematic of capitalism and its overthrow.

Notes

1. The biographical basis for both this and the following chapter draws

extensively upon the work of McLellan, who has done much to place Marx's thought in its biographical context for the English speaking world. See McLellan (1973).

1. For a more detailed introduction to Marx's relation to the various

figures within the Young Hegelian movement, see McLellan (1969) or Hook (1962).

1. See Marx's letter to Ruge, 30th of November 1842, (MECW I, p.

393)

1. For an account of Engels's own intellectual development from Young

Hegelianism to his collaboration with Marx and the intellectual relationship between Engels and Marx, see Carver (1983, 1989). We shall ourselves return to consider the question of the intellectual

relationship between Engels and Marx, particularly in their linal years, in chapter 12 when we come to consider the impact of Engels on the development of early Marxist orthodoxy.

3 The development of the Marxian project

Towards a class politics

In July 1845, shortly before starting to write The German Ideology, Marx and Engels made a six week visit to England. This trip was of particular importance to the development of Marx's theoretical and practico- revolutionary project at this time for two reasons. Firstly, it gave Marx himself direct access not only to the works of English political economy unattainable in Germany, but also to the writings and influence of the socialist Ricardians, such as Bray and Hodgskin, the implications of which we shall return to in due course. Secondly, it provided Marx with direct personal contact with the leading socialists and radicals living in London and marked the beginning of his active involvement in socialist organization and politics.

It was during his stay in London at this time that Marx first met George Julian Harney, the editor of the radical journal The Northern Star. Harney was a leading figure in the radical internationalist wing of the Chartist Movement and, at the lime of Marx's visit, was involved in the process of setting up an international democratic association that eventually became known as the Fraternal Democrats. The initial preparations for setting up this new international organization, which were then under way, involved bringing together the various socialist and radical democratic associations that had been formed by emigre workers living and working in London. Marx and Engels were invited to several of the preparatory meetings which sought to bring these various associations together and as a result they became acquainted with the leading members of German Democratic Society in London.

Although the Fraternal Democrats had a distinctly proletarian and socialist make up. it was primarily an organization that aimed to build a broadly based campaign to promote democratic reforms at an international level. Such an orientauon meant that Marx and Engels could not hope to win the Fraternal

Democrats, as an organization, over to an openly communist platform. However, the contacts made through the Fraternal Democrats no doubt stimulated Marx and Engels towards the idea of establishing an international communist organization along similar lines, through which they could spread their ideas within the working class movement, and thereby escape the now restrictive German intellectual circles which had up until then dominated their political activity.

Shortly after their return to Belgium, Marx and Engels set up the Communist Correspondence Committee, which it was hoped would serve as an initial step in establishing an international communist organization. However, the Communist Correspondence Committee met with little success. Attempts to interest leading French socialists, including the influential Proudhon, were, for the most part, rebuffed, while Engels's attempts, on his frequent visits to Paris, to build a bridgehead within the all important Parisian socialist circles by first of all winning over the immigrant German workers' education associations - which under conditions of political repression then prevailing in France acted as centres for political discussion amongst radical and socialist workers - ended in failure.

However, although the Communist Correspondence Committee was itself a failure, the contacts that had been made through Harney and the formation of the Fraternal Democrats began to bear fruit towards the end of 1846. Three of the leading members of the German Democratic Society, Schapper, Bauer, and Moll, whom Marx had met on his visit to London, had also been members of the conspiratorial group known as the League of the Just. This group had originally been based amongst German workers living in Paris. With the renewed political repression that followed the attempted putsch of 1839, Schapper, Bauer and Moll, along with many other leading political radicals, had been obliged to flee to London, leaving the League of the Just to go into decline. In November 1846 it was decided that the time had come to reconstitute the League of the Just on a new open and non-conspiratorial basis in London, and Marx and Engels were duly invited to join - giving rise to what was to become known as the Communist League.

The emergence of the Communist League at last freed Marx and Engels from the limitations of the decaying Young Hegelian movement and provided them with an important opportunity with which they could begin to 'win over the European and, in the first place, the German proletariat' to their communist ideas. Indeed, their success in grasping this opportunity was marked by them being commissioned to write the manifesto for the Communist League - The Communist Manifesto - following its second congress in November 1847. However, it would be wrong to believe that in being commissioned to write The Communist Manifesto for the Communist League that even many of the League's members had been 'won over'

completely to the political perspective of Marx and Engels. As Engels with hindsight admits, the spread of their communist perspective faced enormous difficulties at this time owing to the embryonic stage of development of the proletariat:

At that time one had to seek out one by one the workers who had an understanding of their position as workers and of their historico- economic antagonism to capital, because this antagonism itself was only just beginning to develop. (MESW, p. 453)

The proletariat at this time, particularly the German proletariat, was dominated by artisan and craftworkers.1 While such workers were increasingly threatened by the development of large scale capitalist industry they did not experience capitalist exploitation directly at the workplace. Their work was to a considerable extent under their own control and they often had close personal ties to their employers, who, as master craftsmen, owed their position as employer as much to their skill and experience in the trade as to their mere ownership of the workshop. Thus the artisan confronted capital first and foremost in the form of the banker and the merchant, outside the immediate process of production. It was when the journeyman graduated and wished to set up in business for himself that he faced the evils of capital in the form of the ruinous interest rates demanded by the bankers and the money­lenders; and it was through the demands of the merchant capitalist for faster and cheaper production, which required more intense work and lower wages for the artisan worker, that he experienced the full force of capitalist competition that was becoming ever more intense with the development of factory production.

As a consequence, craftworkers tended to perceive capital as something external to their everyday working lives; as an artificial and parasitical imposition on the natural process of labour, which was only maintained ultimately through state coercion. Thus, in opposition to capitalism, the socialism of the artisan either envisaged a return to a modified feudalism and the protection of the guild system, or else looked towards a society of free and independent craft producers. These visions were derided by Marx and Engels in The Communist Manifesto as reactionary and petit-bourgeois socialism respectively. Neither of these visions of socialism could countenance the forcible seizure of the means of production and their complete socialization, which Marx and Engels saw as the prerequisite for a communist society. And hence both of these visions of socialism presented major obstacles for the spread of communist ideas.

However, what was perhaps of more immediate importance than their ultimate vision of a socialist society was the means they envisaged to reach

socialism. Here the dominance of the craftworker had given rise to three distinct perspectives, each of which stood in stark opposition to that of Marx and Engels.

Firstly, there were those who, in the tradition of the Enlightenment, sought to appeal to the common reason of humanity. They hoped that through a long and strenuous effort of education they could convince the vast majority of human beings in all social classes of the desirability of replacing capitalism by some form of socialist or communist society. Such ideas had been popularized in Germany by Weitling and had been inspirational in the development of 'true communism'. Secondly, there were those, such as Blanqui, who, inspired by the French Revolution, advocated the insurrectional seizure of power by a revolutionary conspiracy that could then overthrow the state and impose socialism. Finally, there were those who followed Proudhon and sought to set up various socialist schemes and projects which they hoped would spread by example across the whole of society thereby building the new society within the old.

Marx and Engels had already, in effect, tackled Weitling's ideas in their polemics against Young Hegelianism and their criticisms of true communism'. Such utopian idealism in its less elaborated form could be more readily exposed in workers' circles once measured against the practicalities of material reality and the recognition of naked class interest. At the same time, the insurrectional and conspiratorial methods advocated by Blanqui and his followers were, for the most part, out of favour in socialist 1840s due to the abortive insurrection of 1839 in France.

In contrast, Proudhon's ideas of building the new society within the old held formidable sway amongst the continental workers' movement Indeed, Proudhon, as a self-taught worker himself, was highly respected within socialist circles since he sought to address the pressing social questions of his time with detailed economic and philosophical analysis on which he then based his 'practical proposals' for various socialist schemes and projects. Thus it was in Proudhon that Marx and Engels found their principal rival within the socialist movement A rivalry that as we shall see, was to last nearly two decades.

Proudhon ably articulated the view of the declining artisan. Artisans, as workers, were clearly able to identify labour as the 'true' source of value, a position defended by Proudhon. However, in confronting capital merely in the form of money-capital - as the banker and the merchant - capital appeared as external to the process of production. Hence the artisan saw capitalist exploitation, not in the very process of production and thus inherent in the wage-form of labour, but rather as a problem of unequal and unfair exchange, which was then attributed to the dominance of money. It was the dominance of money in the capitalist economy which allowed the monopolists, merchants

and bankers to drive a wedge between the prices of commodities and their true labour-values and thereby deprive the worker of the just reward for her labour. Hence, from this perspective of the artisan, it was in the exchange of commodities that capitalist exploitation arose.

In articulating this perspective Proudhon came to advocate the dismantling of trade monopolies and the provision of interest free credit to all independent producers. Further, to ensure free and fair exchange, and to prevent the re- emergence of monopolists and usurious bankers, money based on gold would be replaced by paper money denominated in labour time. To such ends Proudhon and his followers devised numerous mutual aid schemes that aimed to eventually establish a 'people's bank' which could provide interest free credit and issue 'labour-money' to its members and thereby provide the nucleus of the new socialist economy of petty commodity producers.

Proudhon not only rejected violent revolution, but, because he saw the enemy as the monopolist and the money-lender, rather than the capitalist as such, resolutely opposed trade unions and industrial action, arguing that it was futile to push wages up since this would merely raise prices. This placed him in radical opposition to Marx and Engels, who, influenced by the development of the workers' movement in England, saw that not only was industrial action a practical necessity for factory workers that would come to dominate the ranks of the proletariat, and therefore could not be disregarded by socialists, but that industrial action and organization was the very economic imperative that would unite the proletariat against capital and provide the basis for the communist revolution.

For Marx and Engels, Proudhon's socialism threatened to inhibit the development of communist ideas amongst the working class. In representing the declining artisan and craftworker, the continuing dominance of Proudhon's socialism was irrelevant to the increasing numbers of factory workers that were, for Marx and Engels, destined to become predominant among the working class. As such it prevented the emerging industrial proletariat from recognizing and realizing communism. It therefore demanded from Marx and Engels a detailed political and theoretical engagement

This struggle of Marx and Engels at this time against the prevalence of Proudhon's ideas within the socialist and workers movement is perhaps well illustrated by the following extract from a letter Engels wrote to the Communist Correspondence Committee concerning his efforts to win over the Parisian socialists:

The Proudhon Associations' scheme was discussed for three evenings. At the first I had nearly the whole clique against me, but at the end only Eiserman and the other three followers of Grun.

The chief point was to prove the necessity of revolution by force and in general to demonstrate that Grun's true socialism', which has derived new life from Proudhon's panacea, is anti-proletarian... (M&ESC, p. 1)

And this struggle is clearly evident in their two major works of this period leading up the revolutionary events of 1848 - The Communist Manifesto and The Poverty of Philosophy - both of which involve substantial polemics against Proudhon and his followers.

So, it was the struggle against Proudhonian socialism that now became a priority and hence the driving imperative of Marx's theoretical efforts, and, as we shall see, this proved to be an important catalyst in the development of Marx's theoretical project towards a critique of political economy. The implications of this theoretical and political engagement become clear once we examine Marx’s detailed polemic against Proudhon that is set out in The Poverty of Philosophy.

1. The Poverty of Philosophy
2. Against Proudhon

As we have already noted, Proudhon's great standing amongst socialists owed much to the fact that he was a self-taught working class theoretician. Proudhon's great efforts to master philosophy and political economy in order to provide a sound 'scientific' basis for his socialism drew respect from many quarters, including that of Marx and Engels. However, such respect did not spare Proudhon from the harsh ridicule and derision with which Marx sought to expose the errors and pretensions of his theories.

In the foreword to The Poverty of Philosophy Marx declares:

M. Proudhon has the misfortune of being peculiarly misunderstood in Europe. In France, he has the right to be a bad economist because he is reputed to be a German philosopher. In Germany, he has the right to be a bad philosopher, because he is reputed to be one of the ablest French economists. (Marx, 1956b, p. 31)

Proudhon had developed close contacts with the German adherents of 'true communism' which had led him to attempt an Hegelian mode of expression' which became evident in his major work - Economic Contradictions and the Philosophy of Misery. The work served as the object of Marx's critique of

Proudhon that is set out in The Poverty of Philosophy. In this work Proudhon had sought to apply Hegel's method, as he understood it, to the pressing question of political economy. This clearly placed Marx on his home ground, having, as we have seen, only the year before completed his detailed critique German philosophy in The German Ideology; and he was quick to use his hard won conclusions against Proudhon.

For Marx, Proudhon, like his Young Hegelian mentors, had fallen victim of the idealist inversion of reality. Rather than seeing that principles and ideas arise from the social and material relations of society, Proudhon had sought to present social relations and material interests as expressing universal and eternal principles. Consequently, Marx argued that Proudhon’s attempts to derive the categories of political economy failed to grasp their material and historical basis but instead merely portrayed them as a moving series of contradictions through which thought had sought to establish the universal principles of Justice and Equality.

But this was not all. Proudhon sought to show how each of these categories of political economy present both a 'good side' and a 'bad side', with socialists grasping the 'bad side' while the political economists only recognized their 'good side'. Yet for Marx, Proudhon failed to see how the 'good side' of these categories of capitalism were merely the reverse side of the 'bad side'; how they were both grounded within capitalism as a single totality. Proudhon was thereby able to conclude that it was possible to keep the 'good side' of capitalism while doing away with its 'bad side' and thereby implicitly deny the necessity for its complete supersession.

Marx points then points out the 'petit-bourgeois' implications of such reasoning;

He [Proudhon] wants to soar as the man of science above bourgeois and the proletarians; he is merely the petty-bourgeois, continually tossed back and forth between capital and labour, political economy and communism. (Marx, 1956b, p. 141)

So, for Marx, Proudhon not only fell foul of the Hegelian error of idealism but further compounded this error by failing to grasp the one great strength of Hegel, his conception of the developing totality and the relation of this totality to its parts.2

For Hegel, Proudhon's 'series of economic contradictions' would have seemed little more than a case of bad infinity - an endless series of particulars with no relation to the universality of a totality. By taking each category of political economy in isolation, Proudhon was unable to explain the simultaneous existence of all these categories in political economy. Each of them remained ungrounded in the overall unity of the system and its

movement. It is, as a means to sustain the logical succession of these categories, that Proudhon was obliged to introduce a principle of movement outside these categories themselves. He had to create an ideal history in search for the eternal truths of Equality and Justice through which each category could in turn come to the fore and then pass over into its successor.

Against both Proudhon's idealism and his failure to grasp the question of history and totality Marx had only to counterpose the method of historical materialism. Yet while Proudhon's philosophical efforts were easy prey for Marx, it was his forays into the details of political economy that were now of utmost importance.

Implicidy drawing on Hegel, Proudhon opened his attack on the political economists by arguing that the value of a commodity was the outcome of the contending wills of the buyer and the seller.3 He then proceeded to argue that while value should, as a matter of Justice and Equality, equal the labour embodied in the commodity, the independent power of money allowed prices to diverge from such 'true' labour-values. It was this privileged status of money as the exclusive equivalent of exchange that was, for Proudhon, the root cause of capitalist exploitation.

Against such contentions advanced by Proudhon, we find Marx increasingly siding with the bourgeois political economists. Having refuted Proudhon's absurd assertion that the political economists had failed to recognize the distinction between use-value and exchange-value, Marx proceeds to defend from the very beginning the classical political economists' objectivist and determinist theory of value against Proudhon's 'voluntarist' theory of contending wills of the buyer and seller. As Marx writes:

The consumer is no freer than the producer. His judgement depends on his means and his needs. Both of these are determined by his social position, which itself depends on the whole social organisation. (Marx, 1956b, p. 45)

He then proceeds to dismantle Proudhon's proclamation that labour, as a matter of Justice and Equality, should determine the value of commodities.

Measuring Proudhon up against Ricardo and bourgeois political economy, Marx finds him seriously wanting:

Ricardo takes as his starting point from present-day society to demonstrate to us how it constitutes value - M. Proudhon takes constituted value as his starting point to construct a new social world with the aid of this value. (Marx, 1956b, p. 53)

Whereas Proudhon argued for the determination of prices by the labour required to produce commodities as the basis for social justice, and hence for a future socialist society, Ricardo, for Marx, had demonstrated that this was in fact the essential basis of existing society. Furthermore, as Marx goes on to press home, labour, as wage-labour, must itself become a commodity, and, like any other commodity, its value will be reduced to the barest minimum required for its reproduction.

As Marx had made clear already in the 1844 Manuscripts, wage-labour was the very basis of alienation. In being reduced to the one-dimensionality of value the richness of concrete labour is reduced to simply a matter of abstract time. Time becomes everything and the worker nothing. Hence far from being the formula for liberation of the proletariat, and the basis of a new society, as Proudhon would have it, the labour theory of value was, for Marx, the very 'formula for their enslavement'.

For Marx, then, Ricardo, and the classical political economists in general, had the merit of understanding what capitalism essentially is, which Proudhon then proceeded to elevate into an ideal principle for socialism. To this extent Proudhon had fallen below the political economists, just as he had fallen far below Hegel. Yet the full implication of these theoretical shortcomings only becomes blatantly apparent once Marx turns to make his critique of Proudhon's theory concerning the determination of the wage.

Since for Proudhon profits arose from the independent power of money in exchange and did not have anything to do with the intrinsic value of the commodity, which was determined by the labour required to produce it, any general rise in the level of wages - the money-price of labour - could only lead to a general rise in the money-prices of commodities. Thus this nominal rise in the level of wages would be cancelled out by the consequent rise in the price of the commodities the workers needed to buy. Hence, for Proudhon, attempts by trade unions or combinations of workers to raise wages were futile.

Against this politically vital point of contention Marx first of all responds by putting forward the argument of Ricardo that a general rise in wages will not raise prices but rather depress profits; adding along the way that in those industries which employ relatively few workers relative prices may actually fall. Having, with the aid of Ricardo, demonstrated the immediate practicality of industrial action and trade unions for the everyday welfare and survival of the working class Marx then proceeds to argue that it is through these very actions and organizations that the proletariat must produce itself as a revolutionary class capable of overthrowing capitalism.

It is here that we find Marx sketching out how he envisaged the practical realization of his thematic of capitalism and its overthrow. How, in stark contrast to the utopian reformism of Proudhon, Marx looked towards the

overthrow of capitalism through proletarian revolution arising out of the very material conditions engendered by capitalism itself. As Marx puts it:

Economic conditions had first transformed the mass of the people of the country into workers. The combination of capital has created for this mass a common situation, common interests. This mass Ls thus already a class against capital, but not yet for itself. In the struggle, of which we have noted only a few phases, this mass becomes united, and constitutes itself as a class for itself...

(MECW Vol.6, p. 211)

and further:

...the antagonism between proletariat and the bourgeoisie is a struggle of a class against a class which carried to its highest expression is a total revolution. (MECW Vol.6, p. 212)

1. Marx as a Ricardian Socialist

In The Poverty of Philosophy Marx remarks of Proudhon that he is beneath the economists, since as a philosopher he believes he can dispense with economic details. In some ways this remark can be seen to reflect on Marx's own previous theoretical development. In the 1844 Manuscripts Marx had been content to simply counlerpose the empirical materialism of the political economists to the speculative idealism of German philosophy with regard to the 'social problem'. Against the political economists Marx had only advanced the rather general criticism of their ahistoricism. He had not attempted to explore in any detail the implications of their ahistoricism for the theory and categories of political economy itself.

Thus, despite the fact that the very ontology of human praxis set out in the 1844 Manuscripts pointed towards the adoption of a labour theory of value, Marx came to submit to the emerging economic orthodoxy which was, by that time, coming to reject Ricardo's labour theory of value. Indeed, it may he said that the Marx of 1844 was still very much a philosopher who lacked a detailed grasp of economics with which to refute the economists and assert a commitment to a labour theory of value.4

With The Poverty of Philosophy Marx could now declare himself an 'economist': but as such he could no longer dispense with 'economic detail'. As an 'economist' Marx was now a Ricardian committed to a labour theory of value. To this extent Marx was no doubt greatly influenced by the Ricardian

socialists of the 1820s who still held considerable sway amongst English working class radicals. These Ricardian socialists had turned Ricardo's labour theory of value against Ricardo and the bourgeois political economists. Unlike Proudhon, who insisted that the value of commodities was not determined by the labour required to produce them, although it should be, the Ricardian socialists had argued in accordance to Ricardo's doctrine, that value war determined by labour but that the capitalist exploited the worker in production by appropriating surplus labour. The same position which, as we have seen, Marx advanced against Proudhon.5

However, there were certain vital weaknesses in Ricardian socialism that Marx had yet to solve. Firstly, the question arose as to why the worker did not obtain the full value of her labour and, thus, how it was that the capitalist was able to extract surplus labour from the worker. As we shall see, Marx was to find a solution to this problem with his distinction between labour and labour-power that he first set out ten years later in the Grundrisse.

The second problem was that raised by the criticisms of the Ricardian labour theory of value which were being advanced by contemporary economists. These criticisms arose most clearly in the very question of the relation of wages to prices. As with Proudhon, but this lime from the perspective of the bourgeoisie, contemporary political economists had sought tp deny the efficacy of industrial action by arguing that rising wages only led to rising prices, thereby making industrial action futile. For this they had to refute Ricardo's labour theory of value.

As we have seen, for Marx, and indeed for Ricardo, a general rise in wages would lead to a fall in the rate of profit rather than a general rise in prices. Indeed, as we have noted, Marx pressed this point home against Proudhon by pointing out that in capital intensive industries relative prices might actually fall. However, this additional point is rather dishonest since, as Marx fails to mention, at the same time relative prices in labour intensive industries will tend to rise! This had been the very point that had proved the fatal flaw in the Ricardian theory of value. If wages were determined solely by labour time embodied in production how could they also be determined by the level of wages!?

There is little doubt that Marx had been aware of such criticisms of Ricardo's labour theory of value, and they probably played a part in his initial reluctance to accept it in 1844. Having now committed himself to a labour theory of value, Marx had to refute such criticisms: it was not sufficient merely to rely on his opponents' lack of grasp of 'economic details'. However Marx was still a long way from finding a solution to this problem. A solution that was to require several years of extensive research into the details of political economy, as we shall see.

In making a practical and theoretical intervention in radical working class politics, Marx and Engels were making an intervention in both the socialist and working class movements at a still embryonic stage in their development. An undeveloped stage which, as we have seen, was fully reflected in the predominance of the artisanal socialism of such writers as Proudhon against which Marx and Engels launched their political and theoretical polemics.

Proudhon's socialism had, however, gone beyond the purely utopian visions of socialism that had been put forward at the turn of the century by such writers as Godwin and Fourier in that it had sought the practical foundations of socialism in present society. But, in doing so, it had ended up with the simple abstract ideal of bourgeois society itself. A utopian vision of a society of equally alienated independent commodity producers. At the same time, Proudhon shared the earlier utopian socialists' voluntaristic vision of how socialism could be achieved; that is, through the sheer will and effort on the part of socialists.

Along with the earlier utopian socialists, and against Proudhon, Marx saw communism as a distinct break with existing bourgeois society, yet communism could only come about out of the contradictions of existing bourgeois society. Thus against the Utopians, and alongside Proudhon, he had to root communism in present society. However, the fundamental contradiction that Marx identified as the basis for the communist revolution - namely the class conflict between the industrial proletariat and the bourgeoisie - was as yet far from being fully formed. This contradiction that could only arise with the maturity of the capitalist mode of production, a maturity which, even in the most advanced of capitalist economies such as England, was there only in prospect.

Hence, against the voluntarism and utopianism of Proudhon, Marx had to above all stress the historical and economic necessity of the development of capitalism and its contradictions. An emphasis that propelled Marx to understand the objective economic laws of the capitalist mode of production, at the expense, perhaps, of the questions of class subjectivity and organization.

But what is more, in the heat of his polemics in the 1840s Marx and Engels came to foreshorten such historical developments to the point of imminence. Yet, at the same time, once Marx and Engels confronted immediate political issues, they recognized that there was still a long way to go in the development of bourgeois society. Not only was the industrial proletariat still a minute part of the population throughout most of Europe but the bourgeoisie had yet to wrestle political power from the landed interests, even in England. It was first necessary to defeat the reactionary class interests of

the landed classes before the ultimate class struggle between the bourgeoisie and the proletariat could fully develop.

This contradiction between their polemics within the still tiny and ineffectual socialist movement and their orientation to the pressing political issues of their day led to a fundamental disjunction in the theory and practice of Marx and Engels at this time. A disjunction that is clearly evident in The Communist Manifesto.

In The Communist Manifesto we find, in the opening sections, a broad sweep of the historical development of capitalism that will lead to the growing class antagonism between the bourgeoisie and the proletariat, and ultimately communism. It is on the basis of this outline of the historical development of capitalism that Marx and Engels then launch their attack on the various forms of artisanal socialism. However, as many commentators have observed, once Marx and Engels turn to consider the immediate political tasks in their conclusion, they put forward a programme that fell far short of communism, being little more than radical bourgeois demands.

This disjuncture becomes even more evident in Marx and Engels's involvement in the 1848 revolutions, as we shall now see.

1. 1848 - The year of revolutions and its aftermath

The insurrection of February 1848 in France sparked a wave of revolutionary events across continental Europe, which, within a matter of weeks, opened the way for Marx's return from exile. With his return to Germany, however, Marx was immediately confronted by the relative backwardness of German capitalism. Both the bourgeoisie and the proletariat were still relatively weak compared with the landed aristocracy that commanded the state apparatus, and the resulting revolution in Germany was far less explosive and ambitious than its French counterpart.

For Marx the best hope lay in the success of a bourgeois-democratic revolution that could unite the petty states of Germany into a single democratic republic which could then be pressed to implement the minimum social democratic reforms that he had outlined only a few months earlier in The Communist Manifesto. Through such a radical bourgeois-democratic revolution the power of the landed aristocracy could be finally destroyed, thereby clearing the decks for the ultimate class struggle between the bourgeoisie and the proletariat. On his return to Germany, Marx's initial political aim had therefore been to orientate the German workers' movement towards a tactical alliance with the more progressive and radical bourgeois factions within the democratic movement so as to force the bourgeois- democratic revolution that was then in progress to its most radical conclusion.

On arriving back in Germany Marx settled in the industrial town of Cologne where a large and influential workers' association, which was led by members of the Communist League, had already become well established. However, Marx failed to gain much influence within this organization and soon found himself in strong disagreement with its leading members who still adhered to many of the conceptions of 'true communism'. Facing this immediate theoretical and practical backwardness of the German workers' movement, Marx was soon obliged to abandon all hopes of the emergence of a distinct proletarian tendency in the revolutionary democratic movement. As a consequence, Marx turned towards the progressive and radical middle class circles which, at that point, possessed a far more practical political orientation than the workers of the Cologne Workers' Association. Announcing unilaterally the dissolution of the Communist League, Marx, along with Engels, then set to work on launching a new national journal - the Neue Rheinische Zeitung.

With the Neue Rheinische Zeitung Marx and Engels sought to establish a popular journal that would give voice to the most progressive wing of the bourgeois-democratic revolution. However, despite the efforts of Marx and Engels, the bourgeois-democratic movement proved too timid to carry through a successful political revolution. Through all the political turmoil and the numerous uprisings across Germany, which reached their peak during the Summer of 1848, the German bourgeoisie dismally failed to overturn, even briefly, the entrenched status quo. The power of the reactionary landed aristocracy remained intact and Germany retained its medieval political partitions.

By the Autumn of 1848 the Neue Rheinische Zeitung had begun to include articles with a more explicitly communist outlook that would have been rejected only a few months earlier for fear of frightening its bourgeois and middle class supporters. This marked shift in editorial policy reflected the realization by Marx and Engels that the German bourgeoisie was too weak to carry out its own democratic political revolution, and their conclusion that the only hope was for the proletariat to awaken and carry out this great historical task itself. However, this renewed faith in the immediate revolutionary potential of the German working class did not reflect any radical change in the working class movement over the previous six months, but merely the dismal revolutionary performance of the German middle classes.

By the turn of the year the revolutionary events were more or less over and the period of reaction was beginning to set in. In May, Marx was forced once more into exile and left briefly for Paris before settling in London, where he found that the Communist League had been reconstituted in his absence.

The events of the previous year had confirmed the possibility of revolution and most socialists now believed that the current period of reaction would not

last long before another revolutionary wave would sweep across Europe, a wave that would go much further than the limited revolutions of 1848. This view was no doubt shared by Marx and Engels who had now come to the conviction that any revolution, even one limited to bourgeois-democratic reforms, would have to be led, at least in Germany, by the proletariat, despite its present theoretical and practical weaknesses.

Hence, once more Marx sought to exert his influence within the working class movement by plunging into an intense period of political activity through the newly reconstituted Communist League. A political activity that imposed the political imperative on Marx's theoretical efforts of providing an indepth understanding of the events of 1848 and its aftermath so as to equip the communist movement for the anticipated resurgence of revolution. An understanding that was set out in a series of articles for the Neue Rheinische Zeitung - Politisch-Oekonomisch that were later collected together and published as The Class Struggle in France, and a later set of articles published in the New York journal Die Revolution which were then published together as The Eighteenth Brumaire of Louis Bonaparte.

However, as the months turned into years and the period of reaction persisted, it became increasingly clear that revolution was no longer on the cards in the immediate future. With the growing doubts as to the imminence of revolution Marx became less involved in the day to day politics of the Communist League which, as a consequence of the waning of revolutionary anticipation, was in the process of decline. Now the pressing question was no longer the political failings of the revolutionary events of 1848 but what was the underlying cause of such revolutions in the first place, and hence what was the cause of political and social revolution in general.

It was no longer sufficient for communists and socialists merely to have faith that revolution would somehow happen out of the blue; it was necessary to be able to give an understanding of the necessary preconditions for revolution. Without such an understanding the prolonged period of reaction would remain incomprehensible and this could only lead to complete demoralization within the socialist and workers' movements. Hence it was towards an answer to this vital question of the day that Marx now turned.

As we saw in chapter 2, Engels had already, in 1844, put forward economic crisis as the fundamental precondition for political and social revolution; he had sought to show that this was an inevitable feature of the development of the capitalist economy with his underconsumptionist theory of crisis. The idea that economic crisis was a major cause of revolution, which Marx came to adopt from Engels was by no means a new one, and it was not hard for Marx to find the evidence to link the 1848 revolutions to the general economic crises of the mid 1840s. The problem was that on closer inspection Engels's underconsumptionist theory of the inevitability of crisis was far from

1 t^e^ty critics of bourgeois classical political economy, from Sismondi ONiU»fjjH^litttfe. had tended to base their criticism of capitalism on what seemed its obvious tendency for generating a crisis of underconsumption due to the contradiction between its rapid development of the productive forces and its restriction of the purchasing power of the wage. Yet such theories had run into ground in the face of 'Say’s Law', which had argued that since every sale was at the same time a means for purchase, each value produced created a counter-value with which it could be consumed. What the underconsumptionist had failed to recognize was that wages were not the only form of consumption, but that part of the capitalists' profits which was invested also created demand for the 'productive consumption' of new means of production.

Of course, such underconsumptionist theories did have an element of truth in grasping the nature and necessity of capitalist economic crisis, and indeed we can see elements of Engels's underconsumptionist theory reappearing later in Marx's own theory of the overaccumulation of capital. However, there was still much work to be done to answer the formidable objections the bourgeois political economists had advanced to deny the inherent tendency of capitalism towards crisis.

So, Marx now had two closely connected tasks. Firsdy he had to begin a long and detailed study of economic conditions so as to be in a position to grasp the connection between economics and crisis. Secondly, he had to develop his critique of political economy far beyond the outlines offered by Engels. Hence Marx began his period of intense study of the 1850s. He had now to truly become an 'economist'; but as such he had to grasp this subject in all its intricate detail.

1. Marx the 'economist'

Throughout the 1850s, despite recurrent illness and poverty, Marx spent long hours in the British Museum studying political economy and wading through vast amounts of economic statistics in government reports and in numerous economic journals. Even in his breadwinning articles for the New York Tribune Marx took care to include ample economic data and information on each question at hand to support his reports. But in order to make sense of such vast quantities of data and the commentary made upon them Marx had to constantly refer to the major writers of political economy - particularly Ricardo. It is during this period that Marx's eventual critique of political economy began to become fully formed.

Whereas in The Poverty of Philosophy Marx had sided with Ricardo and the classical political economists against Proudhon, and came to criticize

Ricardo only insofar as he conceived bourgeois social relations as somehow natural and thus eternal, Marx now was obliged to take a much closer look at the limitations of Ricardo and classical political economy. He now had to confront the very weaknesses and errors thrown up as a result of the etcrnalizalion and naturalization of bourgeois social relations.

As we have already noted, Marx must have been well aware of the weaknesses of Ricardo's labour theory of value, which had been exposed by those bourgeois political economists making their retreat from Ricardo. But, alongside this vital weakness, Marx was also drawn to confront two further important chinks in the armour of Ricardian political economy which were thrown into sharp relief by the question of crisis. The first of these concerned Ricardo's theory of rent and, with this, his theory of the falling rale of profit. The second was that concerning his theory of money.

As we shall see in more detail later, Ricardo had argued that, due to diminishing marginal returns in agriculture, rents on land will tend to rise; this would then squeeze profits and reduce the accumulation of capital and with it economic growth. In the long term this would eventually lead to complete economic stagnation. This theory of the falling rate of profit, together with his theory of comparative advantage in foreign trade, formed the twin pillars upon which the industrial bourgeoisie used Ricardo as their champion in their efforts to repeal the com laws that had restricted the import of cheap foreign com into England during the early nineteenth century.

By repealing the com laws, it was argued that, not only would the resulting free trade allow the full benefits indicated by the theory of comparative advantage to be reaped to the benefit of all, but it would also have the effect of diminishing returns in agriculture, and hence the prospects of economic stagnation would be deferred almost indefinitely. Rents and profits would no longer be determined by the least fertile land on the margins of cultivation in England but by least fertile land in use through out the world as a whole.

With the repeal of the com laws in England the issue became controversial with regard to similar protectionist measures operating throughout the continent of Europe in the 1840s. At that lime Marx had intervened in the debate in rather general terms in order to define a distinctively proletarian position on the issue against the attempts by various factions of the propertied classes to solicit the political support of the working class.

Against the protectionist argument that the flood of cheap foreign com would ruin fanners and cause a depression and mass unemployment, Marx had argued:

The preservation, the conservation of the present state of affairs is accordingly the best result the protectionists can achieve in the most favourable circumstances. Good, but the problem for the working

class is not to preserve the present state of affairs, but to transform it into its opposite. (MECW Vol.6, p. 280)

While against the free traders' arguments that free trade would reduce prices and stimulate economic growth Marx argued:

We accept everything that has been said of the advantages of Free Trade. The powers of production will increase, the tax imposed upon the country by productive duties will disappear, all commodities will be sold at a cheaper price. And what again says Ricardo? That labour being equally a commodity sell at a cheaper price' - that you will have it for very little money indeed, just as you have pepper and salt. (MECW Vol.6, p. 290)

Here we see Marx of the 1840s, like a true Ricardian socialist, wholeheartedly accepting Ricardo's theory and then turning its honest conclusions against its bourgeois advocates.

But what now in the light of crisis? For Ricardo it was the natural limitations of the fertility of land, which were external to the bourgeois relations of production, which would eventually lead to falling profits and economic stagnation. Yet with free trade this ultimate barrier to the accumulation of capital could at least be delayed more or less indefinitely. Thus for Ricardo, the economic crisis implied by this eventual economic stagnation need only be some far off distant prospect. Hence, Ricardo raised the prospect of the crisis of capitalist production only then to deny it as something internal to specifically capitalist relations of production, and to defer it to some distant future.

This denial of crisis could no longer pass unnoticed by Marx for whom crisis had now to be understood as something inherent in the historically specific form of capitalist production and, in the light of the recurrent economic crises of the early nineteenth century, had to be situated as imminent in its very development, rather than deferred to some distant future.

As early as 1851 Marx had begun to cast doubt on the empirical validity of Ricardo's law of diminishing returns, and with it Ricardo's entire theory of rent.6 Now, in the light of the question of crisis, such criticisms had to be developed further. A development that was later to have a decisive importance in Marx's critique of political economy.

The second crack in the edifice of Ricardian political economy exposed by the question of crisis was that of money. As recurrent economic crises became ever more apparent in the course of the nineteenth century they increasingly manifested themselves in the form of financial crises. Each crisis was heralded by the widespread failure of banks and the flight from credit into

hard cash. Ricardo's theory of money proved insufficient to deal with such events - as we shall see when we consider this in more detail in chapters 8 and 10. Because Ricardo could only see money as some neutral means for the exchange of commodities, because he failed to grasp its independent existence and movement as capital, he was unable to understand its role in crisis. Indeed, as we shall now see, it is through this very question of money and crisis that Marx sets out on his critique of political economy that we find in the Grundrisse.

1. *The Grundrisse*

So, it was through the anticipation of crisis, the prerequisite for social and political revolution, that Marx was driven to deepen his understanding of economics'. It was through such anticipation that Marx plunged into the detailed study of economic conditions and political economy; and it was through bourgeois political economy's denial of crisis, implicit within its very etemalization and naturalization of bourgeois relations of production, that Marx was obliged to develop his critique of political economy.

Indeed, throughout the 1850s Marx, in his overeagemess, had repeatedly predicted the onset of economic crisis, only to be proved wrong. But finally, in 1857, the long awaited crisis made its appearance. Convinced that the economic slump spreading throughout Europe would open the way for a fresh revolutionary wave which would require the utmost theoretical clarity on the part of all communists, Marx began an intensive and sustained effort to draw together the results of his extensive work on political economy of the preceding decade into a coherent critique of political economy.

The first tentative step towards such a critique was an incomplete review of two contemporary economists: the French economist Bastiat, and the American economist Carey. The ideas of both these economists had an important influence at this time since, while they accepted the empirical reality of existing capitalism, they suggested that, in its pure form, capitalism was a harmonious economic system in which there was no need for class conflict For these two bourgeois economists, the evils of the present capitalist system were simply due to the remains of feudalism that prevented the full realization of a free and pure capitalism.

For Carey, the Americas held up the prospect of making a fresh start. It was in America, where there were no vestiges of the class antagonisms and restrictions of feudalism, that the utopia of pure capitalism was in the process of being built. This vision had considerable appeal to many working class radicals in Europe upon whom any coming revolution may have had to depend. After nearly a decade of failing hopes of a revolution in Europe, many looked to America for a better life. For them Carey's ideas would have

been particularly seductive as they considered the option of emigration to the 'New World'. But not only did such ideas threaten to carry off the best class militants from Europe to America, they also threatened to blunt the criticisms of capitalism of those they left behind.

So, a critical review of these two 'harmonizers', particularly Carey, was of significant political importance at this juncture. However, perhaps more importantly in the long term, in making this critical review, Marx came clearly to set out the conclusions of his long research into the history of bourgeois political economy and, in doing so, secured the ground upon which he could launch his critique against bourgeois political economy in general. Indeed, it was with this critical review of Carey and Bastial that Marx comes to confirm his conclusion that since Ricardo there had been little progress in bourgeois political economy; that since the 1820s political economists had increasingly retreated from the scientific heights achieved by Ricardo to become little more than bourgeois apologists - mere 'prize fighters' - praising the 'inherent harmonies' of bourgeois society.

For Marx, with the new generation of economists, so ably represented by both Carey and Bastiat, this retreat from Ricardo had gathered pace. Whereas previously political economists had still operated within the broad framework bequeathed by Ricardo and classical political economy - and therefore, if only implicidy, still recognized capitalism as a class society - Marx identified the work of such writers as Bastiat and Carey as a sharp break from this tradition. A break which was finally to substitute the ideology of economics for the science of political economy; and which was later to become consolidated with the rise of marginalism and neoclassical economics in the 1870s.

However, for Marx, this retreat and final break with the scientific insights of classical political economy was by no means the result of some change in intellectual whim or fashion, but was, on the contrary, a result of the material and social development of the capitalist mode of production itself. Indeed, we can see, through this critical review of Carey and Bastiat, Marx making a methodological and epislemological point that was vital for the further development of a general critique of political economy and its relation to the understanding of capitalist society.

As we seen, central to historical materialism is the thesis that ideas are determined by material and social conditions that exist prior to thought. This was indeed the central thesis that we saw advance by Marx and Engels against classical German philosophy in The German Ideology. It follows from this that the underlying social and material conditions can be revealed through a critical appropriation of the ideas that they produce. That is, the ideas of any epoch will bear the imprint of the social and material conditions that serve to produce them and of which they are an integral part.

However, ideas are not necessarily a direct and complete reflection of their the underlying material and social conditions, since they are a part of these very conditions themselves. Indeed, insofar as ideas emerge as a means to justify and perpetuate particular class interests - that is insofar as they are ideological - they will tend to produce a one-sided, mediated and distorted reflection of the totality of the material and social reality. It is for this reason that, in order to understand the social and material reality of the capitalist mode of production, it was insufficient to take bourgeois political economy at face value. It was necessary to appropriate it critically. But to make such a critical appropriation, to make a critique of political economy, it was necessary to discern the ideological distortions inherent in bourgeois political economy's reflections on capitalist social relations, which are a product of the historical development of these social relations themselves. With his review of Carey and Bastiat we find Marx bring these distortions into sharp focus.

For Marx, it was the rise of capitalism and the bourgeoisie in the seventeenth century that brought with it the rise of political economy. Indeed, political economy was the very thought of the bourgeoisie - the economic class par excellence. In its formative period it was vital for the bourgeoisie to recognize itself as a distinct class in its struggle with the old landed aristocracy, and it was vital for it to understand the realities of the emerging capitalist economy from which it drew its power, so as to press its claims against the old feudal order.

Of course this political economy of the bourgeoisie had certain ideological limitations, but its ideological distortions concerning the workings of the economy were minimized with the increasing ascendancy of the bourgeoisie as an economic class. As capitalism developed, bourgeois political economy was able to gain a more developed understanding of the essential features of the capitalist mode of production, reaching its height at the beginning of the nineteenth century with the classical political economy of such writers as Smith and Ricardo.

For Marx, however, the very success of capitalism, and with it the triumph of the bourgeoisie, brought with it the rise of a new enemy, the proletariat, and the new challenge of socialism and communism. The ideological interests of bourgeois thinkers then began to prevail over their scientific insights, so as to deny the exploitative and class character of bourgeois relations of production, and hence justify and perpetuate the rule of the bourgeoisie. With Carey and Bastiat the point had been reached where capitalist society was presented as being virtually classless; a society consisting of nothing other than a collection of atomized individuals brought together in harmony through the free and equal operation of the market. The class divisions, so evident in classical political economy, now vanished in the ’harmonies' of vulgar economics.

Thus, in the face of Carey and Bastiat, it was clear for Marx that the point of departure for his understanding of what capitalism is had to be Ricardo, the culminating figure of classical political economy, and the bourgeois theorist who had reached the most scientific, and least ideological understanding of the capitalist economy. All subsequent political economists could be dismissed as, at best, simply elaborating on Ricardo, or, at worst, following Carey and Bastiat in the retreat from classical political economy to the depths of vulgar economics.

This clarification may be seen as merely affirming the position Marx had held ten years before in The Poverty of Philosophy where he had held up Ricardo against the economic errors and pretensions of Proudhon and the socialist critics of political economy. But now, after ten years research into bourgeois political economy, Marx could be sure that it was with Ricardo, rather than his critics or subsequent political economists, that he should locate his point of departure; and now he had the means to go beyond Ricardo to grasp the essential laws of the capitalist mode of production. But the question that now arose was: where was Marx to begin the critique of Ricardo and classical political economy?

1. *A beginning for a critique of political economy*

A month or so after breaking off from his critical review of Bastiat and Carey Marx began to sketch out his critique of political economy in a series of hastily written notebooks that have become known as the Grundrisse. In these notebooks Marx assembled and worked through the vast amount of theoretical material that he had gathered over the previous decade. Despite numerous asides and deviations, the Grundrisse, to a large extent, prefigures the line of argument that was to he finally presented in the three volumes of Capital. Indeed, as both Nicolaus, in his foreword to the English translation of this work, and Vygodski. in his commentary on the development of Marx's critique of political economy, have pointed out, the Grundrisse can be seen as Marx's laboratory where he worked through on paper the raw material provided by classical political economy so as to produce the lines of argument and categories necessary for the presentation of his critique of political economy that were to finally find their polished form in Capital ten years later.

As we shall see in more detail in subsequent chapters, the distinction between the method of investigation (Forschung), that we find in the Grundrisse, and the method of presentation (Darstellung), that we find set out in Capital, is of vital importance for both the full understanding of Marx's critique of political economy and its relation to the two-fold closure that we shall identify in Marx's broader thematic. More of this later; for now we shall

confine ourselves to briefly outlining what we find in these notebooks that together make up the Grundrisse, and how they reveal the development of Marx's critique of political economy as such.

Let us begin with the Introduction.

1. *Introduction*

As we have already noted, as early as The Poverty of Philosophy Marx had been able to advance as the basis of his critique of the political economists that they had naturalized, and thereby eternalized, the historically specific relations and categories of the bourgeois mode of production. Furthermore, we have seen how Marx came to recognize the various weaknesses in Ricardian political economy which had arisen from this naturalization and etemalization of bourgeois economic relations, and that had ultimately led it into an impasse.

The problem was how, despite all the honesty and perceptiveness of his scientific enquiry, Ricardo had allowed himself to be led into such an impasse with a good conscience. The answer, it seemed, would lie in his very methodology that imposed an a priori etemalization and naturalization of the categories of political economy before any enquiry began. Hence in his proposed Introduction Marx begins by seeking to ground the errors of the political economists in the very methodology through which political economy came to be constructed. Indeed, as Nicolaus in his foreword to the Grundrisse points out, Marx in the Introduction grapples with two fundamental problems of method: 1) Where to begin? and 2) How to proceed?

These two questions underlie the entire text of the Introduction and repeatedly surface to interrupt Marx's train of thought. In order to find a satisfactory starting point and method of procedure Marx is repeatedly forced to confront the problem of how to set his materialist dialectic in motion without, on the one side, collapsing back into Hegelian idealism or, on the other side, falling foul of the ahistorical and uncritical materialism of the political economists themselves.

Marx makes a tentative start with the general conception of 'material production', echoing, in materialist form, the Hegelian starting point of the Indeterminate Being. Which he is then quick to qualify as social production. Marx then seeks to counterpose this conception of 'social production in general' with the eighteenth century antecedents of the classical political economists who took as their starting point the isolated individual abstracted from society.

By this means Marx sought to avoid the trap of methodological

individualism that simply led to the reduction of bourgeois society to a simple aggregation of isolated and otherwise asocial individuals. But in starting with simply 'material production' or 'production in general', even if qualified as social production, Marx still runs the danger of simply projecting capitalism into an indefinite past. It is a starting point which fails encompass the historical spccifily of the capitalist mode of production. Hence, in this opening section to the Introduction we find Marx rapidly running into a dead end.

In the second section we find Marx abruptly changing tack in order to consider the relations between the various distinctions made between the categories of production, consumption, exchange and distribution, which were often drawn up by the political economists in their preliminary discussions before their analysis proper. Marx turns over these distinctions as he seeks to explore the implications of the usual starting point of the political economists. But, as Nicolaus observes, in doing so he gives:

An earnest imitation of this standard text book opening, and a mocking parody of it. (Grundrisse, p. 36)

Yet, while simply following this standard approach of political economy, which soon becomes a 'mocking parody', Marx's exposition in this second section does offer some important methodological insights that were subsequently to structure his critique of political economy.

Firstly, Marx is able to make clear to himself the necessity of viewing the capitalist economy as heing constituted as an organic structure of three interacting moments: production, circulation/exchange and distribution. A conception which, as we shall sec, is reflected in the overall structure of the three volumes of Capital. Secondly, Marx is able to at least indicate how production is the essential moment of this threefold organic structure; that is, how production comes to structure the whole. As a consequence Marx is able to develop his critique in terms of the essential relations and categories of production and their necessary appearance in the forms of exchange and distribution, which, as we shall see, becomes vital in the further development of his critique of political economy.

In section three Marx then turns to explicitly address the problem of how to proceed' by raising the question of the correct method of abstraction. It is here that he underlines and clarifies several important methodological principles which were to govern his exposition.

Firstly, Man sought to apply the dialectical method he had appropriated from Hegel to his critical appropriation of political economy. But this dialectical method required a double theoretical movement of abstraction. Ftrsdy there was the moment of analysis in which the immediate complexity

of the concrete could be broken down into simple abstract categories. Secondly, and counterposed to this initial moment, was the moment of synthesis in which from these simple abstract categories the complexity of the concrete could be reproduced in thought.

However, as Marx makes clear to himself, the first moment of analysis had already been undertaken by political economy itself. It lay ready to hand as the raw material from which Marx could develop his critique which should lake the precise form of a movement of synthesis. It was this reversal of method, which stands opposed to the analytical and empiricist method of the political economists, that would then serve as the methodological basis for Marx to go beyond bourgeois political economy:

...if I were to begin with the population, this would be a chaotic conception [Vorstellung] of the whole, and I would then, by means of further determination, move analytically towards ever more simple concepts [Begriff], from the imagined concrete towards ever thinner abstractions until I had arrived at the simplest determinations. From there the journey would have to be retraced until I had finally arrived at the population again, but this time not as a chaotic conception of a whole, but as a rich totality of many determinations and relations. The former is the path historically followed by economics at the time of its origins... (Grundrisse, p.

100**)**

But Marx was well aware that in turning the Hegelian dialectic against the analytical method of bourgeois political economy he had to be careful not to fall into the trap of Hegelian idealism. It would, as he warns himself, be all to easy to fall into the illusion, which Hegel held to, that this movement from the abstract to the concrete is the actual process through which the concrete comes into existence, rather than being the process through which thought comes to understand this concrete reality. In order to avoid this danger Marx had then to clarify the relation of this process of abstraction in thought to the historical processes of concrete reality which it sought to apprehend.

As Marx seeks to make clear with the example of the simple abstract category of labour-in-general', categories can only be grasped once they have reached a certain degree of actuality. As Marx points out, the category of labour-in-general', which had become central to classical political economy and its theories of value, and which had appeared to them as simply a rational abstraction made in the mind to simplify their analysis of the complexity of the economic world, was in fact a real abstraction. That is, it was an abstraction that had emerged out of the historical processes of the real concrete world.

The notion of labour-in-general' had only become possible once the

exchange of the products of labour had become sufficiently generalized throughout the society that the vast array of different types of concrete labour could be considered as being commensurate with each other and thereby reduced to the common substance of 'labour-in-general'. Indeed, 'labour-in- general' was a category that was unknown prior to the emergence of capitalism and the generalization of commodity exchange. The abstraction of 'labour-in-general' from the vast diversity of concrete labours was therefore not simply an abstraction made by the mind which the political economists happened to have made; but was a real abstraction made every day through the actual exchange of commodities, which was then reflected in the abstractions made within the analysis of bourgeois political economy.

Here then, in the case of the real abstraction of 'labour-in-general', Marx shows how the process of thought comes to reflect the material process of reality. But this should not be taken to mean that for Marx the process of thought is simply an unmediated reflection of the historical and material processes of reality. Indeed, Marx proceeds to clarify this point with the example of the category of money.

As Marx points out, the logical derivation of a category such as money Ls not necessarily the same as its historical derivation. Money had existed long before capitalism made its appearance, but in order to understand money's role within the developed capitalist economy it was not sufficient, nor even necessary, to simply trace out the historical development of money. On the contrary money could only be fully understood as part of the totality of bourgeois economic relations. An historical derivation of the category of money could at best only reveal certain of its aspects and in no way could reveal how these aspects were organized or developed as a functional part of the capitalist system as a whole.

As Marx himself concludes:

It would therefore be...wrong to let the economic categories follow one another in the same sequence as that in which they were historically decisive. Their sequence is determined, rather, by their relation to one another in modem bourgeois society, which is precisely the opposite of that which seems to be their natural order or which corresponds to historical development. The point is not the historic position of the economic relations in the succession of different forms of society. Even less is it their sequence 'in the idea'... Rather, their order within modem bourgeois society. (Grundrisse, p. 105)

Thus, for Marx, it was necessary to maintain the vital distinction between the historical derivation of categories - how they actually came into being -

and iheir logical derivation - how they are reproduced in thought to reconstruct the world as a concrete totality. This distinction, as we shall see in later chapters, is central to any understanding of Marx's method and the formation and exposition of his critique of political economy.

So, with these points of clarification that we find in the Introduction to the Grundrisse we can see Marx seeking to resolve the problems of applying his dialectical method to the critical appropriation of political economy. Yet it can be said that Marx fails to resolve the complex problems of 'where to begin' and 'how to proceed'. In fact the entire Introduction to the Grundrisse can be seen as a false start - although a fruitful one in that it did clarify some important questions of method; it came no closer in finding the correct point of departure. By the time he came to present his findings a year later in the Contribution Marx had decided to drop this Introduction altogether. The problems of 'where to begin' and 'how to proceed' were then left to be resolved within the very exposition of the critique of political economy itself.

*Hi) The main text*

So, in the course of the Introduction Marx found himself at an impasse. Yet the urgency of his task of making his critique of political economy before the expected revolutionary 'deluge' demanded that he waste no time with preliminary discussions on method. As a consequence, Marx broke off from writing the Introduction midway through its fourth section and plunged into a detailed polemic against Darimon's analysis of the French banking crisis of 1855 which was to serve as the starting point for main text of the Grundrisse - the 'chapter on money'.

As we have already noted, it was with the question of money and crisis that the weaknesses of classical political economy were most readily exposed and it is therefore of little surprise that during the French banking crisis of 1855, the French Proudhonist, Darimon, took the opportunity to launch a detailed attack on economic orthodoxy and to advance his proposals for socialist reform.

For Darimon, in line with Proudhonist thinking, the basic cause of the banking crisis had been the dominance of gold-money as the exclusive general equivalent of exchange. Gold had usurped the functions of money and had thereby subordinated all other commodities. It was through this subordination of all other commodities, and with them their producers, that gold had come to confer monopoly powers on the banks and the money­lenders; monopoly powers that became most manifest at times of crisis. As Darimon complains, it is just at times of crisis, when people need money the most, that bankers and money-lenders restrict its supply by raising interest rates and shortening repayment times.

But while such monopoly powers become most manifest at times of economic crisis they are not just confined to such periods. It is gold-money that allows prices denominated in terms of gold to diverge from the just prices of commodities which should be determined by their 'true' labour-values, and it is this that makes it possible for capitalists to exploit the labour of the workers by buying commodities at below their true labour-values and selling them at prices above such values. Hence, the solution Darimon proposed to both capitalist crises and exploitation was the replacement of gold-money by paper money denominated in labour time. If all commodities were obliged to exchange in accordance to the labour required for their production there would be no room for exploitation and the domination of gold, which was the root cause of crisis.

Here then we find Marx once more returning to his battle with Proudhon, but now directly in terms of the question of crisis. In renewing his attack on Proudhonism in such terms we find Marx making an important theoretical advance. How is this?

As Marx proceeds to show, even in Darimon's own analysis of the French banking crisis, the cause of crisis was not gold-money as such; rather it was the crop failure that preceded it and which caused a loss of real production and wealth. Neither gold-money, nor the monopoly powers it conferred on the banks and money-lenders, were the cause of the crisis but rather the phenomenological expression of such crisis. Indeed, as Marx presses home, the bankers and money-lenders acted like any other commodity-owners whose commodities were in short supply; they exploited their position by restricting supply further so as to raise prices. In fact, if the banks were to protect their cash reserves they had little option other than raising interest rates and restricting credit.

For Marx, it then becomes clear that Darimon's theory of crisis fails to strike home against bourgeois political economy because it fails to penetrate to the essential causes of capitalist crisis. This is further confirmed when Marx proceeds to consider the proposed solutions to the problem of capitalist crisis and exploitation.

As Marx comes to demonstrate, the Proudhonist proposal for labour- money is, in itself, no solution at all. Either the real value of labour-money would come to diverge markedly from its nominal value, thereby acting in the same manner as gold-money, or else the 'people's bank' that was entrusted to issue such money would have to increasingly regulate production to the point where commodity production would have become completely abolished. The reason for this is that it is only through the continuing oscillation of money- prices around 'true' labour-values that a society based on private disassociated commodity production could be regulated. It was only through the divergence of money-prices from 'true' labour-values that a society with no

social plan of production can equate production and consumption and resolve the contradiction between privately performed labour and the necessary social division of labour.

Hence, the theory of money, crisis and exploitation put forward by both Darimon and Proudhon was superficial. It failed to recognize that money, crisis and exploitation could only be understood as being inherent in the relations to a society based on generalized commodity production. Instead of penetrating to these essential relations of bourgeois production, the theory of Darimon and Proudhon remained content to stay at the surface with the relations of commodity exchange. As a consequence, such socialist critiques of capitalism failed, for the most part, to strike home; and when they did strike at the essence of capitalism they did so only inadvertently.

Marx sums up Darimon and Proudhon's efforts quite amusingly as follows:

One or another kind of artful tinkering with money is...supposed to overcome the contradictions of which money is merely the perceptible appearance. Equally clear that some revolutionary operations can be performed with money, in so far as an attack on it seems to leave everything else as it was, and only rectify it. Then one strikes a blow at the sack, intending the donkey. However, as long as the donkey does not feel the blows on the sack, one hits in fact only the sack and not the donkey. As soon as he feels it, one is striking the donkey and not the sack. (Grundrisse, p. 240)

From this Marx could conclude that it was insufficient merely to confine the critique of capitalism to its immediately apparent form as a market economy. Simply denying that free and equal exchange exists, and protesting at the existence of monopolies and unfair competition, merely led to the demand for a more perfected capitalism rather than its overthrow. It played in to the hands of the Tiarmonizers' such as Bastiat and Carey for whom the problem was not capitalism as such but the freeing of capitalism from the artificial constraints of the remnants of the old feudal order.

As Marx proceeds to show7, it is from this very semblance of capitalism as nothing more than a market economy that bourgeois apologists draw their most compelling arguments in favour of capitalism as a system that best promotes the freedom and equality of the individual. Indeed, freedom and equality is the very truth of the market and the sphere of capitalist exchange. For Marx, the immediate task confronting a critique of bourgeois political economy was not that of pointing out the readily apparent exceptions to the rule of freedom and equality in the market, as the socialists sought to do. For Marx, such exceptions did indeed 'prove the rule'; as a market economy it was true that capitalism promoted freedom and equality - if only formally - and it

was this moment of truth in the apologetics of bourgeois political economy and vulgar economy that demonstrated capitalism's advance over feudalism. But this truth was not the whole truth. It denied and ignored the exploitative and alienating conditions of capitalist production which the market and capitalist exchange necessarily presupposed.

The immediate task facing a critique of political economy was therefore to show how this semblance of freedom and equality of the market was based on the alienation and exploitation inherent in the capitalist relations of production. Marx had to accept, at least provisionally, the 'truth' of the market as presented by bourgeois political economists so as to follow them below to unearth the essential relations of production. Hence, Marx came to affirm, at least provisionally, his adherence to the bourgeois political economists against Proudhon and the socialists as a methodological necessity.

Of course, in provisionally siding with Ricardo and political economy did not mean that Marx denied once and for all the exceptions and failures that were manifest in the market. Indeed, as we shall see in more detail in subsequent chapters, through his engagement with Darimon and Proudhon on the question of money and crisis, Marx came to develop both his own labour theory of value and his own theory of money which, by preserving the possibility of crisis which Ricardo's theories intrinsically denied, went well beyond Ricardo. But the problem was not so much demonstrating the possibility of crisis and market failure, but ultimately to demonstrate how crisis necessarily arose from the inherent contradictions of the capitalist mode of production. But such a demonstration first demanded that the essential relations and laws of capitalist production are understood in themselves and this, as we shall show later, demanded that Marx provisionally attenuate the exceptions to the truth of the market such as crisis.

For Marx, the chief merit of Ricardo was that he recognized the realm of exchange as one of appearance and as a consequence was able abstract from such 'aberrations' as monopoly and unfair competition to penetrate to the essential laws of the capitalist mode of production. As Marx comments:

...to presuppose, as does Ricardo, that unlimited competition exists is to presuppose the full reality and realisation of the bourgeois relations of production in their specific and distinct character. Competition therefore does not explain these laws; rather it lets them be seen... (Grundrisse, p. S52)

It was this that allowed Ricardo to consistently defend labour embodied in the commodity during its production as the sole source of its value which appears in the market place. But if labour was the sole source of value then it would seem that the entire value of a commodity should belong to the workers. A

poini well noted by the Ricardian socialists as we have already mentioned. How could this be squared with the existence of profit and rent and the free equal exchange of commodities?

As Marx points out, Ricardo's labour theory of value implied that capital must appropriate a part of the value created by labour without exchange - that is, it implied the expropriation of surplus-value from the worker - but Ricardo, due to his bourgeois perspective, was unable to ask how this arose and how, if labour was taken to be a commodity like any other, such expropriation could be made consistent with the free and equal exchange of commodities evident at the level the market. As Marx argues:

Capital is represented as appropriating a certain part of the ready and available value of labour (of the product); the creation of this value, which it appropriates above and beyond the reproduced capital, is not presented as the source of the surplus-value. This creation is identical with the appropriation of alien labour without exchange, and for that reason the bourgeois economists are never permitted to understand it clearly. (Grundrisse, p. 553)

In drawing out the implications of Ricardo's labour theory of value Marx was able to make, what Vygodski has fittingly called, his great discovery; the vital distinction between labour and labour-power which then opened the way for Marx's theory of surplus-value, which was to be his decisive advance over both Ricardo and the Ricardian socialists.

We shall have cause to return to consider Marx's theory of surplus-value and its importance in more detail later, but at this point we should perhaps briefly outline this 'great discovery' and indicate its significance.

As Marx demonstrates in great detail in his later works - such as his Theories of Surplus-Value - the classical political economists failed to make the crucial distinction between labour-power and labour that was central to understanding the appropriation of surplus-value and its distributional forms such as rents and profits. As Marx points out, what the worker sells the capitalist on the labour market is not labour as such, but her capacity to labour - that is her labour-power. Thus, when he talked about labour being like any other commodity having a value determined by the labour required to reproduce it, Ricardo was talking not about labour as such, but about labour- power. Indeed, to talk about the value of labour was simply nonsense if labour was taken to be value itself, since it would be the same as talking about the value of value.

The value of labour-power is determined by the value of the means of subsistence required to reproduce the workers' capacity to work. However, this not the same as the value that worker produces for the capitalist once she

is set 10 work in the process of production. The capitalist will seek to ensure that the worker performs an amount of labour beyond that necessary merely to create a value equal to the value of her labour-power. It is this extra value created and embodied in the final product by the labour of the worker above and beyond the value of her own labour-power that the capitalist appropriates as surplus-value.

The importance of this is that, even though the worker may sell her commodity - labour-power - at its 'true' value in the labour market, she will still find herself exploited in the process of production. Marx is thereby able to show how the exploitative relations of capitalist production are quite consistent with the freedom and equality evident in the market, and so lauded by bourgeois apologists.

With this distinction between labour and labour-power, with which he then develops his theory of surplus-value, Marx makes his decisive advance over classical political economy, and it is from this vantage point that he is able to make his critique of political economy. It is the drawing out of the implications of this 'great discovery' for the nature of capitalist production, showing how surplus-value both substantiates capital as self-expanding value - the self-mediating power of alien and dead labour - and how surplus-value comes to take on the more complex distributional forms of rent and profit, which, as we shall see, takes up the remaining bulk of the Grundrisse, and eventually the corresponding part of the three volumes of Capital.

1. *The Contribution and the Theories of Surplus-Value*

By the Spring of 1858 the manuscripts that make up the Grundrisse had grown to immense proportions after months of intensive labour. For Marx it seemed time was fast running out. It was necessary to at least put something into print before it was too late. As a consequence, Marx broke off from his work extending these manuscripts and began to prepare the notebooks comprising the first chapter on money of the Grundrisse for publication. This resulted in A Contribution to a Critique of Political Economy which was fnst published in 1859, and which Marx had originally hoped would be accompanied by a further volume containing remainder of his critique of political economy which he was still developing in the Grundrisse.

However, this second volume of the Contribution never actually appeared as such; instead it was eventually incorporated into Capital. By the time the Contribution was published the economic crisis had passed without any serious revolutionary repercussions. The political imperative that had propelled Marx to plunge into his critique of political economy with the utmost urgency had now dissipated and Man became distracted by other concerns.

However, it was not simply the question of the political urgency to put his critique into print that led Marx first to abandon his research work on the Grundrisse in favour of preparing the initial notebooks for print and then to abandon this work on his critique of political economy in 1859. Marx at this lime can be seen to have reached an important theoretical impasse in his research. This impasse is set out by Vygodski as follows:

The crux of the matter was that the theory of surplus-value, in the form in which it had been elaborated in the Grundrisse, could not be regarded as complete. With the discovery of surplus-value, Marx had got the most profound secret of capitalist economics. Having got this far he had, however, to retrace his steps and demonstrate how surplus-value 'regulates' all other categories of the capitalist mode of production: profit, average profit, land-rent etc. This had to be done because on the surface of bourgeois society there is neither value nor surplus-value. There is a question of market prices, prices of production, profit and so on. It had to be shown how these categories acdng on the surface of bourgeois society are regulated by value and surplus-value. Only after this could the theory of surplus-value be regarded as complete and the law of motion of capitalist society as adequately substantiated. In short, the theory of surplus-value had to be supplemented by the theory of average profit and the price of production. This was the task Marx performed in the course of his work the Theories of Surplus-Value. (Vygodski, 1973, p. 72)

It had been this very problem of showing how value regulated prices that had led to the downfall of Ricardo's labour theory of value. It was all important, if Marx's own labour theory of value was to hold, for him to find a solution. But it was a formidable problem that Marx had yet to surmount in the Grundrisse, and, as Vygodski observes, it was not until Marx began work on his Theories of Surplus-Value in 1861 that he found the solution.

Ricardo, through the incisiveness of his analytical method, had come to identify the simple abstract category of labour-in-general as the common substance of all production and thus as the sole source of its value. He had then sought immediately to relate such value to the prices of commodities evident in exchange. Hence, for Ricardo, the categories of price and value, as well as profit and surplus-value, became conflated with each other. This meant that as soon as Ricardo was forced to concede that certain other factors, such as the composition and durability of capital, entered into the determination of price he found himself facing insurmountable problems in sustaining his adherence to a labour theory of value.

Marx, however, realized, as we have seen in our discussion of the Introduction to the Grundrisse, that the moment of analysis was in itself insufficient. It was necessary to proceed by a movement of synthesis towards the concrete, grasping all the necessary mediations on the way. Thus for Marx, value was not identical to price; rather price was the phenomenological form of value that was mediated by a complex secondary set of determinations.

But while this method was clear to Marx it was not so clear how he should set out to determine these mediations between value and its expression in the form of price. In fact it was not by directly considering this 'transformation problem' of values into prices that Marx reached a solution, but through a critique of Ricardo's theory of rent which he came to develop in the Theories of Surplus- Value. Let us briefly consider this.

In the series of manuscripts written between 1861 and 1863 that have subsequently become known as the Theories of Surplus-Value, and which have often been regarded as the 'fourth' volume of Capital, Marx sets out a critical review of the history of political thought from the vantage point of his own theory of surplus-value. A central contention in this work was that all the political economists had failed to understand the relation between surplus- value and the forms of profit and rent within which it becomes expressed. Thus, for example, he remarks;

All economists share the error of examining surplus-value not as such, in its pure form, but in the particular forms of profit and rent. (TSV I, p. 40)

For Marx, as with the categories of value and price, the category of surplus- value had become conflated with those of rent and profit

Consequently, an important part of the Theories of Surplus-Value was devoted to the evolution of the theory of rent in political economy which culminated with that of Ricardo. It is with Marx's specific critique of Ricardo's theory of rent that we find him making his all important breakthrough.

Ricardo's theory of rent, like his theory of value, was intrinsically connected with his championing of the cause of the capitalist against the interests of the landowning classes. Indeed, we can see in Ricardo's theory of rent an attempt to sustain the contention that arose with his labour theory of value that the sole source of value, and hence the principal creator of wealth, is the labour employed and supervised by the productive capitalist If the capitalist was to be shown to be the principal producer of wealth of the propertied classes, while the landowner was to be cast as the idle consumer of such wealth, it was necessary to show that despite the payment of land-rent in agricultural

production, the value of agricultural commodities was still determined by the labour time required to produce them.

To this end Ricardo developed his theory of differential rent. According to Ricardo's labour theory of value the price of the agricultural commodities, like their manufactured counterparts, should be determined by the labour embodied in their production. For Ricardo, this was indeed true for those commodities produced on the least fertile land which had to be brought into cultivation to satisfy existing demand. However, on more fertile plots of land the labour required to produce the same amount of produce as that on the least fertile land would be less due to the assistance given by the greater fertility of land. As a consequence the individual values embodied in the cultivation of such land would be less than that of the least fertile land. However, if existing demand was to be met, the least fertile land had to be kept in cultivation, and for this to occur the price ruling on the market had to be equal to the value embodied in production on the least fertile land. But this meant that for all plots of land, other than the least fertile, prices would be above their individual labour-values.

Hence, for Ricardo, the labour theory of value still held. In the special case of agriculture, it was the labour employed on the least fertile land that determined prices, while the excess of price over the labour-values embodied in the cultivation of more fertile plots was pocketed by the landowner as differential rent, as a payment for the extra assistance given by the 'natural and indestructible powers of nature' incorporated in such land.

With this theory of differential rent Ricardo, unlike Adam Smith, did not have to concede that rent made the same contribution to the formation of value and prices as the labour employed by the capitalist. Labour was the absolute determinant of value/price; rent was merely a payment made for the relative fertility of the land that allowed less than the maximum amount of labour to be employed on more fertile plots than those on the margin. However, this could only be sustained if, as Ricardo maintained, no rent was paid for the least fertile land. If such rent was paid then it could only be as a payment for the absolute fertility of the soil which would therefore make a contribution to the formation of values and prices in its own right. Hence, Ricardo was obliged to deny the existence of such absolute rent. He therefore had no theory of absolute rent.

For Marx, Ricardo's error was once more his naturalization, and hence etemalization, of the historically specific social relations of the capitalist mode of production. Ground rent was specific to the capitalist mode of production and as such it was radically distinct from the forms of tribute and rent that may be found in earlier modes of production. It did not arise, as Ricardo contended, simply from the 'original and indestructible powers of nature', but from the forms of private property specific to the capitalist mode of

production which Ricardo took as self-evident.

The landowners are able to charge rent because their ownership of land allows them to exclude the capitalist, and her capital, from a particular form of production that requires such land. This is evident in the case of differential rent. Here capitalists will compete to gain the most fertile land so as to obtain the advantage of lower labour costs and hence higher profits, given that the ruling price is determined by the labour employed on the least fertile land. But to gain access to the more fertile land and these extra-profits they are obliged to pay rent to the landowners, as a consequence rents become bid up until the point where any extra profits owing to the relative fertility of land are appropriated as differentia] rents by the landowners. Rents any higher would make the cultivation of the land not worthwhile to the capitalist since they would be below those obtaining elsewhere in the economy; rents any lower would invite competing capitalists to offer the landowner a higher rent to gain access to the extra-profits.

For Marx then, rent is paid due to the private ownership of land, rather than as a payment for either its relative or absolute fertility. The question is not therefore whether the fertility of land makes an equally important contribution to the production of value, but it is rather how this private ownership of land determines how surplus-value becomes divided between rent and profit. This becomes clearer, as Marx recognized, once the question is generalized. But this itself required a clarification of Marx's labour theory of value.

Firstly, as Marx had already made clear in the Grundrisse, value was not determined by the labour that is technically required for the production, or, more precisely, the reproduction of a commodity, as Ricardo tended to see it, but rather by the amount of socially necessary labour required for its reproduction. Value, for Marx was not a technical relation but a social relation of production. While the actual amount of concrete physical or mental labour embodied in production was a necessary prerequisite of the value of a commodity, before this labour could become value it had to be validated as socially necessary labour through the process of exchange and competition. Therefore there was no direct and unmediated relation between the actual concrete labour embodied in a commodity and that particular commodity's value.

So how is actual concrete labour reduced to socially necessary labour? We shall examine this question in more detail both in chapter 8 and in chapter 10, but let us briefly sketch out Marx's answer here.

In any particular industry the labour employed by the various individual capitals that together comprise that industry will be of a similar type and will therefore be directly commensurate with each other. Furthermore, due to the competition between these individual capitals, the commodities they produce

musl sell at a common market price. They will have a single market value.

However, as we have seen, in the case of agriculture different capitals are obliged to operate under different conditions of production. This means that different amounts of labour will be required to produce the same agricultural output on different plots of land in accordance with their fertility. As a result there will be varying individual values for the same commodity which will be different from the single market value that becomes established.

But, as Marx came to realize, this did not only apply to agriculture but to all capitalist industries. In all industries individual capitals will have differing conditions of production; either due to superior production methods or else due to fortuitous circumstances. Thus in all industries individual values will in general diverge from the common market value and, as a consequence, some capitals will enjoy extra-profits due to the difference between their lower individual labour-values and the market values at which they are able to sell. Indeed it is in the ceaseless search for such surplus-profits that capitalists are driven to continually revolutionize the process of production so as to increase the productive power of their labour and drive down their individual values with respect to the ruling market value.

What makes agriculture a special case is that, firstly, due to the private ownership of land by a distinct class of landowners who stand outside the immediate process of production, these surplus-profits are pocketed in the form of ground rent by the landowner, rather than simply as surplus-profits by the capitalist; and secondly, the market value is determined not by some average of the individual capitals, but by those cultivating the least efficient land (other things being equal, of course).

Here then we can see how through their private ownership of land the landowners are able to appropriate a part of the surplus-value produced within a particular industry in the form of differential rent. But what of the case of absolute rent? Unlike Ricardo, Marx did not need to deny the existence of absolute rent in order to sustain his labour theory of value, since again he saw it as arising, not as a payment for the natural fertility as such, but from the private ownership of such natural properties of land. Indeed, it is through his very analysis of absolute rent that we find him discovering the second, and most important step in solving the transformation problem - the transformation of market values into production prices.

For Marx, landowners are able to appropriate a part of the surplus-value produced in agriculture as differential rent because they are able to restrict the competitive transfer of capitals within this industry. That is, the capitalist farmer cannot obtain access to more fertile land which offers the prospect of above average profits without paying a differential rent to the landowner. In the case of absolute rent, the appropriation of surplus-value arises due to the ability of the landowning class to restrict the competitive transfer of rent

between agriculture and all the other branches of industry.

As we shall see in chapter 10, and as Marx came to realize in the course of his investigations into absolute rent, if commodities sold strictly at their values then the rale of profit across the economy would vary between industries in accordance with variations in the labour intensity of the production process they employed. In labour intensive industries, like agriculture, the greater amount of labour employed would create a correspondingly greater amount of surplus-value and thus a higher rate of profit; while in more capital intensive industries, less surplus-value would be expropriated and the rate of profits would be lower. However, the competitive transfer of capital between industries in search of higher profits would lead to equalization of the rale of profit across different industries. Yet for such a equalization to occur commodities would have to sell at production prices that were above market values in capital intensive industries and below their market values in labour intensive industries. In effect the surplus-value created in production would be redistributed in the process of exchange from the more labour intensive to the more capital intensive industries.

But this process of redistribution of surplus-value depends on the free and unrestricted movement of capital between industries. With their private ownership of land, the landowning class, as Marx recognized, were in a position to restrict the movement of capital into agriculture which would otherwise depress production prices below market values. The surplus-value that would otherwise have flowed out of agriculture into more capital intensive industries is thereby appropriated by the landowning class as absolute rent.

So, in order to show how surplus-value - a category specific to the capitalist mode of production - took the form ground rent, Marx had to show how the process of value and price formation in agriculture was simply a special case of the general formation of value and price that arises within the capitalist economy due to the private ownership of land by a distinct class outside the immediate process of production. Yet in doing so Marx came to solve, not only the problem of how surplus-value takes up its particular phenomenal form of rent, but also the crucial, but intrinsically connected, problem of the transformation of values into prices which had been the achilles heel of Ricardian political economy and its labour theory of value.

With the solution to this problem the way was now open for Marx to set about presenting his critique of political economy. However, events now conspired both to delay Marx's efforts in this direction and, at the same time, to renew the urgency of the political imperative to put his 'economics' into print. These events were those of the formation of the International Workingmen's Association, or, as it has since become known, the First International.

**Capital and the early years of the First International**

1. *The First International8*

Throughout the 1850s industrialization had proceeded at a rapid pace both in Britain and on the continent. The British trade unions and workers' combinations, whose flimsy and faltering emergence Marx and Engels had held as the way forward against the mutualist ideas of Proudhon in the late forties, had now grown into strong, permanently based craft unions; while on the continent the dominance of artisan production was more and more being overtaken by large scale factory production, bringing with it a vast increase in the ranks of the fully industrialized and urban proletariat. The broad oudines of social development that Marx and Engels had identified in the 1840s were being confirmed across the principal centres of Europe. European industrial capitalism was rapidly approaching maturity.

By the early 1860s the growing power of the British craft unions had led employers to adopt the tactic of drafting in foreign labour to break strikes. This, combined with the economic impact of the American Civil War, had led British trade unionists to take both a more political and a more international perspective. The growing political intervention by British trade unionists, particularly those involved in the London Trades Council, in the international issues and controversies surrounding events in Poland, Italy and America brought them into close contact with representatives of the continental workers' movements, particularly those from France. The outcome of all this was the formation of the International Workingmen's Association.

Marx was one of the 34 elected to the General Council of the First International at its inaugural meeting in 1864 and was subsequenfly appointed as its German Correspondence Secretary. In this position, which was to take up a considerable amount of his time during the remainder of the decade, Marx's tireless efforts established him as a leading figure within the International. Indeed, it was to Marx that the General Council looked to draft the 'Inaugural Address' and the International's Provisional Statutes that were later adopted at the Geneva conference of the International in 1866.

With the 'Inaugural Address', clearly reflecting Marx and Engels's orientation to the re-emergence of overt international working class politics after more than decade of repression and defeat, we find a distinct shift in attitude compared with that of the 1840s. Before, Marx and Engels could only stress the prospect of the emergence of a fully industrialized proletariat across Europe which, in coming conscious of itself, would serve as the means for the revolutionary overthrow of capitalism. It was enough for Marx and Engels to sketch out the broad outlines of the development of capitalism and its own negation in crisis and the proletariat in their hard fought polemics

against their Young Hegelian and socialist opponents. Once the indastrial proletariat had come sufficiently into being, Marx and Engels could rest content that somehow economic crisis would serve as the spark for the proletarian revolution.

Indeed, as we have seen, with the failure of the revolutions of 1848 to repeat themselves in the 1850s Marx had not sought to examine how revolution emerged from economic crisis but rather how economic crisis was inherent to capitalism. It had been this problem that had provided the theoretical imperative within which Marx's critique of political economy came to be developed - culminating with the Grundrisse and the Contribution.

But the failure of revolution to follow the economic crisis of the late 1850s demanded a reappraisal of the relation between crisis and revolution. A reappraisal that led Marx and Engels to conclude that it was vitally important to build a mass working class movement that could be in a position to exploit the onset of crisis as an opportunity tooverthrow capitalism once and for all. This task could not, it now seemed, be achieved overnight, but required a long and sustained political and organizational effort. The foreshortening of the prospect of communism that was so evident in their optimistic polemics of the forties now had to give way to a more 'realistic' and cautious approach.

Now, after such a long wait, the prospect of a mass international workers movement was becoming a reality. In the face of this Marx had the awesome task of helping to draw together the various and often conflicting strands and tendencies of this nascent movement.

Yet while he had at first to be cautious in not excluding the numerous tendencies and factions that went to make up the International, Marx soon found himself in conflict with those ideas that for him threatened to hold the full development of the organization back. The first of these conflicts arose directly from his position as the German Correspondence Secretary and involved the followers of the recently deceased Ferdinand Lassalle.

Lassalle had played a major role in drawing together the numerous Workers' Education Associations into a unified working class organization and as a result had become a respected figure with the emerging German workers' movement. However, due to the continuing political weakness of the German bourgeoisie Lassalle had been all too easily led to pursue an alliance with the landed interests that still dominated the Prussian State in return for limited, but for Lassalle valuable, political and economic reforms.

This opportunistic realpolitik, which sought to ally itself with such reactionary forces as those represented by the Prussian State for short term political advantage, and the vision of a nationally orientated state socialism that went with it, could only be in radical opposition to Marx's hopes of an international working class movement that would have global communism as its ultimate goal. Hence Lassallean socialism soon drew the sharpest of

criticisms in Marx's correspondence with the representatives of the German workers' movement

However, while the figure of Lassalle dominated the German workers' movement, it was that of Proudhon that still dominated the rest of the continental workers' movements. Thus once more, but on the larger and far more important stage of the rapidly growing International, Marx and Engels found themselves in combat with the ideas of their old adversary. The most pressing point of issue that arose in this conflict was the old Proudhonist contention that industrial action was futile. An issue that united both the Proudhonists with Lassalleans of the continental workers' movements and pitted them against the British trade unionists on the General Council. It was as a result of the heated debates on this issue on the General Council that Marx was obliged to advance a brief summary of his 'economic analysis' that was later published as Value, Price and Profit.

Confrontations such as these with both the Lassalleans and the Proudhonists at this time only served to confirm the political imperative for Marx to present his critique of political economy in print. It became increasingly clear to Marx that the international working class movement could only progress towards its communist goals if it had a proper understanding of bourgeois society and this depended first and foremost on an understanding of the capitalist economy. Hence, at this time, Marx became increasingly concerned to take time off from his immediate political commitments to the International to prepare his critique of political economy for publication in a form that would be readily accessible to the working class. As a consequence the first, and the most important volume of Capital came to be published in September 1867.

1. *Capital*

As we have already noted, Capital has the same overall structure, and covers broadly the same line of argument as the Grundrisse9. Indeed it is only with Volume III, and Marx's theory of the transformation of values into production prices, that Capital makes an advance over the Grundrisse. Yet nevertheless there exist important differences both in form and in content between these two works of Marx's critique of political economy.

The Grundrisse was written within the prospective imminence of revolutionary crisis. It was a work whose political imperative was to act as a bolt of theoretical clarity with which to light up the revolutionary storm that, for Marx, was about to break. As such it was a work that was intrinsically connected with a much larger theoretical project that was to have comprised of six books culminating with that concerning the world market and crisis. A project that would realize in theory the practical tasks of the imminent

revolutionary conjuncture. With Capital the imminence of revolution has dissipated, and the further development of Marx's theoretical project evident in the original plan for six books had become deferred. The task had instead become that of equipping the newly emerging mass working class movement for the long haul towards communism. Hence, in contrast to the Grundrisse, Capital stands far more as a popular scientific treatise: a work of reference for the emerging workers' movement in its long struggle against the ideological hegemony of bourgeois political economy.

Such differences in style and form between Capital and the Grundrisse, which stem from changes in the political context, and which, as we shall see in chapter 6, were reinforced by the changes in intellectual climate brought about by the rise of positivism and the influence of the natural sciences, serve to emphasize the differences that arise between the Grundrisse as a work of investigation (Forschung), and Capital as a work of presentation (Darstellung). In the Grundrisse, as commentators such as Rosdolsky and Nicolaus have observed, Marx's appropriation of the Hegelian method in the development of his critique of political economy is readily evident on the surface of his analysis. Here we can see just how Marx came to develop his critique of political economy through his appropriation of the Hegelian dialectic, a point that we shall consider in more detail in subsequent chapters.

But along with this readily apparent importance of Hegel in the Grundrisse, we can also see the continuing importance of the question of alienation. With the Grundrisse it is clear that the in his critique of political economy Marx Ls in the process of showing how human alienation arises and is produced by the capitalist mode of production; how capital is nothing other than the movement of alienated human labour over and against the will and desires of human subjects. Hence, in the Grundrisse it can be readily seen how the Young Hegelian thematic of human alienation and human liberation is not only superseded but preserved within Marx's critique of political economy.

It was Marx himself who first pointed out the difference between the work of Forschung and Darstellung, which separates the Grundrisse from Capital, when he wrote in the Postface to the second edition of Volume I of Capital:

Of course the method of presentation must differ in form from that of inquiry. The latter has to appropriate the material in detail, to analyse its different forms of development and to track down their inner connection. Only after this work has been done can the real movement be appropriately presented. If this is done successfully, if the life of the subject-matter is now reflected back in the ideas, then it may appear as if we have before us an a priori construction. (Capital \*1, p. 102)

Here we find Marx defending the apparently Hegelian mode of presentation of some the earlier chapters of Capital from certain positivist critics by stressing that it is a result of a long period of empirically based research. Yet even here in the face of stem criticisms of his positivist contemporaries, Marx does not discard Hegel as a 'dead dog', nor does he discard the importance of his dialectical method. Indeed, in this very Postface he proceeds to declare himself as a devoted pupil of Hegel and proclaims the need to place Hegel's dialectic on a materialist footing.

Marx took particular time and trouble to present the vitally important opening chapter of Capital in a form accessible to his readers, who would by that lime have been unacquainted with a dialectical mode of presentation. This is witnessed by the correspondence between Marx and Engels concerning the proofs to the first edition of Volume I. In a letter dated 22nd

of June 1867 Engels wrote to Marx with regard to the fourth section of

chapter 1 concerning the value-form:

In these more abstract developments you have committed the great mistake of not making the sequence of thought clear by a large number of small sections and separate headings... The thing would have looked rather like a school-book, but it would have been made much more easily comprehensible to a very large class of readers.

For the populace, even the learned section, is no longer at all

accustomed to this kind of thinking and one must facilitate it for

them with every possible kind of help. (M&ESC, p. 220)

Marx heeded Engels's advice by adding an appendix in this manner to the first German edition. An appendix that was later abandoned in later editions after a substantial reworking of the first chapter. Elsewhere in Capital Marx was able to dispense with the necessity of an apparently 'Hegelian mode of expression'. Thus we find, as a concession to his contemporary readership, particularly that amongst the working class, ignorant of Hegel and dialectical thought in general, the appropriation of Hegel far less evident in Capital than it is in the Grundrisse.

But not only this, in burying Hegel, Capital becomes presented as far more an objective and scientific text. A text of economic laws in which the questions of class subjectivity and human alienation become suppressed. This too was a concession to his readership, that was in awe of the advance of the natural and positivistic sciences, as well as a reflection of his current concerns. As Marx had pointed out in The German Ideology, the ruling ideas of any epoch were the ideas of the ruling class. In the absence of a revolutionary situation Marx had to fight on the terrain of the bourgeoisie whose thought at that time was dominated by positivism and scientism, the

dominance of which was consequently accepted to a large extent even by the most militant members of the working class, and perhaps to a lesser extent by Marx and Engels themselves.

As we shall see, these differences between the Grundrisse and Capital are vital in are understanding of how Marx came to impose a provisional closure both within his critique of political economy and within his broader thematic of capitalism and its overthrow. But further, the political context and intellectual climate within which this provisional closure was made also served to translate this provisional two-fold closure into a final closure within Marxism that began to develop in the final decade of Marx's life.

*Hi) The final years*

So, after more than twenty years in the writing, the first and most important part of Marx's critique of political economy finally appeared in print with the publication of Volume I of Capital. There was at this time still far more of this monumental work yet to be transcribed into a publishable form contained in the vast manuscripts that Marx had accumulated since the early sixties, and which were eventually to form the basis for the second and third volumes of Capital; but with the publication of Volume I, Marx had laid out the essence of his critique of political economy and had revealed the 'inner laws of motion' of the capitalist mode of production.

The mere promise of the future publication of these further volumes could then suffice for the time being. The principle task was to ensure the widest dissemination of the results of this first volume by means of its translation from German into the main European languages. Hence in the years immediately following the publication of Volume I Marx delayed further work on preparing the rest of his manuscripts for publication and concentrated his efforts to arranging translations and further editions of this first volume. A delay exacerbated by the course of political events that were to follow the publication of Volume I of Capital.

No sooner had Capital’s first volume appeared in print than major political shifts began to occur within the International and the various workers' and socialist movements in the continental Europe. A wave of hitter and often violent strikes swept various countries on the continent and, in particular France. Greatly influenced by the growing reputation of the International, striking workers proclaimed themselves as part of the International Workingmen's Association and called upon its General Council for aid.

In the face of such developments the largely pacific and anti-strike sentiments of the Proudhonist tradition began to become seriously discredited in favour of notions of class conflict and revolution. The dominance of Proudhonism amongst continental socialists, which had existed for more than

twenty years, and against which Marx had been impelled to develop his critique of political economy, was now at an end. However, in its place there arose a new socialist opposition to Marx, an opposition that was all the more formidable - the rise of the anarchist insurrectionalism of Mikhail Bakunin.

Although temporarily united within the revolutionary excitement and expectations generated by the Paris Commune, the conflict between Marx and Bakunin proved to be irreconcilable, and it was with defeat of the Paris Commune that the two opposed views within the International which these two figures most forcefully represented came to a head.

The anarchists saw in the very outbreak of the Paris Commune the immediate possibility of a communist revolution. For them any involvement on the established political terrain could only at best be a diversion of the vital energies of socialists and revolutionaries, and, at worst, end in them being seriously compromised. The pressing task of all revolutionaries was to arouse all the oppressed to insurrection.

Whereas the Bakuninists saw in the Paris Commune the return of revolution, Marx saw in its defeat a renewed confirmation of the continuing need to build a mass workers' movement based upon the discipline of the emerging industrial proletariat. For Marx, the proletarian revolution was nowhere imminent. Indeed, the task of finally vanquishing the power of the reactionary landed classes, so as to clear the way for the ultimate struggle between the bourgeoisie and the proletariat, still remained and demanded that the proletariat take independent political action to advance its own distinct interests.

However, it was over the question of organization, both of the present revolutionary movement and of the future communist society that finally led to break up of the International. This significance of this final controversy has been well summarized by Debord as follows:

In effect, the quarrel between the Marxists and the Bakuninists...was two-edged, referring at once to power in the revolutionary society and to the organisation of the present movement, and when the positions of the adversaries passed from one aspect to the other, they reversed themselves. Bakunin fought the illusion of abolishing classes by the authoritarian use of state power, foreseeing the reconstitution of a dominant bureaucratic class and the dictatorship of the most knowledgeable, or those who would be reputed to be such. Marx...denounced Bakunin and his followers for the authoritarianism of a conspiratorial elite which deliberately placed itself above the International and formulated the extravagant design of imposing on society the irresponsible dictatorship of those who are most revolutionary, or those who would designate themselves as

such. (Debord, 1967, Thesis 91)

Faced with the prospect of the Bakuninists gaining control over the International, Marx used his remaining influence within the General Council to officially transfer its operations to the inaccessible location of New York, thereby sabotaging the International as a functioning organization.

For Marx and Engels, the International had anyway lacked the disciplined organization that for them had now become necessary to advance the working class movement. Spread thinly over Europe and America, branches of the International would no sooner be established than they would vanish. Only the trade unionists in London had given it any solidity. In answer to such problems of organization Marx and Engels now turned towards his native Germany where the rapid industrialisation that had gathered pace following the Franco-Prussian War and German unification had brought with it a growing organized mass workers' movement.

Here they placed their hopes in the merger of the two German workers organizations - the General Association of German Workers, which had been founded ten years earlier by Lassalle and his supporters, and the Social Democratic Workers' Party, whose leaders, Bebel and Liebknechl, had close ties with Marx and Engels - which together came to form the German Social Democratic Party (SPD). A party which was soon to become the world's first mass workers' party, and the largest political party in Germany.

While Marx and Engels privately expressed detailed criticisms of the Lassallean elements so evident in the Gotha Programme upon which the SPD was founded, they failed to make them public at the time. This failure to make their criticisms of the Gotha Programme more widely known at the time was later explained by Engels as follows:

The whole thing [i.e. the 'Gotha Programme'] is disorderly, confused illogical and discreditable. If the bourgeois press possessed a single person of critical mind, he would have taken this programme apart phrase by phrase, investigated the real content of each phrase, demonstrated its nonsense with utmost clarity, revealed its contradictions and economic howlers...and made our whole party look frightfully ridiculous. Instead of that the asinine bourgeois papers took this programme quite seriously, read into it what it does not contain and interpreted it communistically. The workers seem to be doing the same. It is this circumstance alone that made it possible for Marx and me not to dissociate ourselves publicly from such a programme. So long as our opponents and likewise the workers view this programme as embodying our intentions we may allow ourselves to keep quiet about it. (MESC, p. 298)

The 'two old men in London' fell content that the course of history was moving in their direction so that their ideas would necessarily become ascendant in the mass working class movement. Such complacency meant they did little to combat the incorporation and consolidation of the statist aspects of Lassallean socialism into German social democracy and even less to correct the over objectivist and deterministic interpretations of Marxism from which the economism and scientism of the ideology of the Second International were later to arise.

As we have argued before, against the idealism of the Young Hegelians and the utopianism and voluntarism of the early socialists, Marx had been led to emphasize the objectivist and deterministic side of historical materialism. For Marx it was necessary to make clear that although 'men made history' they only did so from given historical and economic conditions. It is an emphasis that, as we have noted, clearly marks Marx's greatest work, Capital. This emphasis, however, became further entrenched in the bitter struggle against the insurrectional romanticism of the Bakuninists. A entrenchment that to some extent Marx, and perhaps even more so Engels, fell victim to.

Marx did not heed Bakunin's warning that the scientism of Marxism would lead eventually lead to the dictatorship of the 'most knowledgeable' or those who considered themselves as such. Nor was he able to foresee how, as Rosa Luxemburg was to write with the ultimate betrayal of the 1918 revolution by German social democracy, 'the troops protecting the old order would not intervene under the insignia of the ruling class, but under the flag of the Social Democratic Party'.

Yet in his final few years, in response to the controversy over the inevitability of capitalism in Russia, we find Marx beginning to correct the over-deterministic emphasis of his Marxist followers. In Capital Marx took England as an example of the general development of the capitalist mode of production. As he seeks to press home in the Preface to the first volume to his German readers, it is to England that they must look to see their own future. Yet by the end of the 1870s Germany, the USA and much of Western Europe was catching up with England's capitalist development. While England had shown the general laws of capitalist development, the question of the particular development in particular countries, and with it the possibility of avoiding such capitalist development altogether in such cases as Russia and Asia, came to the fore.

This, as we shall see in a little more detail in chapter 7, led Marx into an indepth study of landed property and agriculture. A study which was never completed and that, together with his declining health, prevented the publication of the final two volumes of Capital in his own lifetime.

Lenin once remarked that Marxism was the product of three intellectual sources: Geiman philosophy, English political economy and French socialism.10 Of course one may quibble with this simple statement by pointing out the French contributions to political economy or the else the English contributions to socialism that must have influenced Marx; or it may be objected that one of the principal political economists that Marx identified, Adam Smith, was Scottish. However, insofar as it goes, this statement stands as a succinct summary of the principal intellectual sources of Marx's thought.

Yet, unless we are to take Marx's theory as simply a 'scientific' discovery of an immutable and objective reality - as something that is simply true - such a statement is far from sufficient. It is necessary to situate Marx in his historical context and to locate the development of his theoretical project in and against the historical, political and intellectual circumstances of his time. It is only then that we can discern to what extent Marx was limited by his own epoch; and to what extent his theoretical project, by grasping the real development of its own time, points beyond itself.

As we have briefly traced out in this chapter, following his distinct break from classical German philosophy Marx was propelled towards a critique of political economy which culminated in the three volumes of Capital. Such a critique was a necessary first moment in his new thematic of 'capitalism and its overthrow', and one that was driven forward by the political imperative that arose with his confrontation with Proudhon and the artisanal socialism of the mid-nineteenth century workers' movement.

Yet at the same time this critique of political economy that sought to grasp the 'inner laws of motion of the capitalist mode of production' was only made possible by the current stage of capitalism's development. A stage of development that exposed in all their starkest clarity the objective laws of the capitalist mode of production, unclouded by the impositions of proletarian struggle. It had been an earlier stage of this development of capitalism that had made the scientific insights of classical political economy possible, and it was its further development that had exposed its weaknesses, both for the bourgeoisie and for the proletariat, and which had opened the way for Marx's own critique.

However, these very historical circumstances which made possible the development of Marx's theoretical project towards a critique of political economy also served to restrict it. The limited development of industrial capitalism meant that Marx came to develop his critique of political economy within and against the voluntarism and utopian reformism of Proudhon and an embryonic workers' movement. As a result, the political imperative within which this critique was developed came to emphasize the objective and

necessary laws of capitalist development.

As we shall see, it was this that led to the closure in the further development of Marx's theoretical project that we find in such works as Capital. A closure that then became consolidated in the over-determinism and scientism of classical Marxist interpretations of Marx.

Notes

1. 'There were, in fact relatively few factory workers on the continent in
2. . There were approximately 400,000 factory and mine workers in France at the outbreak of the [ 1848] revolution - at most a tenth of all manufacturing workers. Some estimates put the corresponding percentage in Prussia a bit higher, but in no case did factory industries employ more than a small minority of the lower urban classes.' (Steams, 1974, p. 17). The bulk of the urban working class were artisans working in small workshops. Even in England this was true, albeit to a lesser extent, and this was reflected in the make up of the Chartist movement of this time. See for example, the discussion on this issue in Thompson (1984).
3. We shall consider the importance of the appropriation of Hegel's notion of totality and the dialectic for Marx’s critique of political economy in the following chapter.
4. As we shall argue in chapter 7, by approaching the question of price and value as a matter of opposed wills Proudhon, at least implicitly, sets out on his confrontation with political economy in terms of class antagonism. As such Proudhon can be seen, albeit obliquely, to take up the immediate perspective of the proletariat of his time. In siding with the political economists, in adopting what we shall term the critical perspective of the bourgeoisie, Marx is able to stress the objective force of the laws of political economy. But, as we shall argue in chapter 12, although this provisional adoption of the critical perspective of bourgeoisie was a necessary stage in understanding the essential laws of capitalism, and in overcoming the voluntarism of the early workers' movement, it was to impose a closure in Marx's thought that was to have serious implications in terms of the overly deterministic and objectivisl readings that we find in orthodox Marxism.
5. For a detailed account of the evolution from Marx's initial 'rejection' of a labour theory of value to his critical acceptance, see Mandel (1967).
6. The importance of the Ricardian socialists in the development of Marx's crtique of political economy becomes evident in the third part

of the Theories of Surplus-Value where Marx devotes an entire section to them.

1. See Engels's letter to August Bebel of 12th of October 1875.
2. See the section on 'Money as capital', (Grundris.se, pp. 239-250).
3. For a detailed account of the First International, see Slekloff (1968).
4. See Rosdolsky (1977, p. 56).
5. Lenin puts forward this view in his 'Three sources and three

component parts of Marxism' where he states: '...[Marxism] is the

legitimate successor to the best that was created by mankind in the

nineteenth century in the shape of German philosophy, English political economy and French socialism.' (Lenin, 1956, p. 78)

**4 Totality and dialectic in Hegel and in Marx**

**Introduction**

In the previous two chapters we sketched out both the formation and the development of Marx's theoretical project within its broad political and historical context. We saw how, with his growing commitment to communism and the cause of the emerging proletariat, Marx came to break with Young Hegelianism and its thematic of 'human alienation and liberation' to found his new perspective of historical materialism - within which he could then articulate a new thematic of 'capitalism and its overthrow'. We then saw how Marx was increasingly led, both logically and politically, to focus on his subsequent critique of political economy, which finally culminated in the three volumes of Capital.

But, while it is important to place Marx's theoretical project within its broader political and historical context - to show its intricate connection with the development of his practico-revolutionary project, and to indicate its historical delimitations - this descriptive treatment is insufficient for our purposes. If, as we shall contend, Marx's critique of political economy inscribes a vital provisional closure within his broader thematic, if we are to show how the trajectory of the Marxian project points beyond Capital, then we must look at its internal and logical imperatives', its dialectical method and purpose. This requires us to return once more to consider Marx's break with classical German philosophy in general, and his appropriation of the Hegelian dialectic in particular.

As Scott Meikle1 has pointed out, Marx can only be adequately understood as an essentialisL An essentialism that can be traced back through Hegel to the philosophical tradition founded by Aristotle. Indeed, much of the misunderstandings of Marx, in particular the travesties wreaked upon his thought by contemporary analytical Marxism, is rooted in the predominance within modem philosophy and methodology of an anti-essentialist analytical

atomism.2 For Marx, as for indeed for Hegel and Aristotle, the world could not be explained by reducing everything to simple externally related determinants. On the contrary it had to be explained in terms of complex self- developing totalities.

The importance of Marx's conception of totality has been well expressed by Lukacs:

It is not the primacy of economic motives in historical explanation that constitutes the decisive difference between Marxism and bourgeois thought, but the point of view of totality. The category of totality, the all-pervasive supremacy of the whole over the parts is the essence of the method which Marx took over from Hegel and brilliantly transformed into the foundations of a wholly new science. (Lukacs, 1971, p. 27)

But to set out from the point of view of the totality means to adopt a dialectical method. As Lukacs proceeds to argue:

In Marx the dialectical method aims at understanding society as a whole. Bourgeois thought concerns itself with objects that arise either from the process of studying phenomena in isolation, or from the division of labour and specialisation in the different disciplines.

It holds abstractions to be 'real' if it is naively realistic, and 'autonomous' if it is critical.

Marxism, however, simultaneously raises and reduces all specialisations to the level of aspects in a dialectical process. This is not to deny that the process of abstraction and hence the isolation of elements and concepts in the special disciplines and whole areas of study is of the very essence of science. But what is decisive is whether this process of isolation is a means towards understanding the whole and whether it is integrated within the context it presupposes and requires, or whether the abstract knowledge of an isolated fragment retains its 'autonomy' and becomes an end in itself.

In the last analysis Marxism does not acknowledge the existence of independent sciences of law, economics or history etc.

(Lukacs, 1971, p. 28)

If nothing else this indicates that Capital cannot be simply considered in isolation as his 'economics', to which we may add a 'Marxist politics', a 'Marxist sociology' and so forth. It is not an 'economics' or a 'political economy' but a critique of political economy that is part of a revolutionary critique of bourgeois society as a whole. As a critique it can only be

understood *dialectically.*

In response to the various misreadings of the first editions of Volume I of Capital, Marx himself sought to stress this vital point. While in German intellectual circles of the time Hegel was considered a 'dead dog', Marx rallied to Hegel's defence:

1. .openly avowed myself the pupil of that mighty thinker [Hegel]...

The mystification which dialectic suffers in Hegel's hands, by no means prevents him from being the first to present its general form of working in a comprehensive and conscious manner. With him it is standing on its head. It must be turned right side up again, if you would discover the rational kernel within the mystical shell. (Capital I, p. 29)

By examining the dialectical method through which the Marxian project unfolds we shall be able to discern its inner logical imperatives that point beyond Marx's critique of political economy; and thus beyond Capital.

In this chapter we shall return to examine, in much greater detail than in chapter 2, Marx's appropriation of Hegel's dialectic and Marx's final break with German philosophy We shall show how Marx did not merely invert Hegel's dialectic onto a materialist basis but at the same time how he came to transform the closed dialectic of Hegel into a radically open dialectic. This will then prepare ground for chapter 5, in which we shall see how Marx's radically open dialectic becomes provisionally closed within his critique of political economy. But before this we shall, in the opening section, briefly sketch out the emergence of Hegel's conception of both the dialectic and totality in the context of the development of classical German philosophy.

1. Totality and dialectic in Hegel
2. *Classical German philosophy3*

The great rallying cry of the emergent bourgeoisie of the seventeenth and eighteenth centuries was that of reason. By proclaiming the omniscience of reason the intellectual representatives of this rising class sought to dissolve all the mystifying dogmas and traditional conceptions that supported the old feudal order.

They called for a new age of reason, an era of enlightenment - that is, for the age of capitalism. But as the eighteenth century began to draw to a close - with the approach of the French Revolution - social tensions and conflicts

began to increase as the old order in Europe began to crumble. The advance of capitalist relations, which tore individuals from the certainties and securities of feudalism and placed them at the mercy of impersonal market forces, brought with it growing antagonisms between both individuals and classes. As each class, and indeed each individual, sought to rationalize their own particular interests against those of their rivals and competitors, the social uncertainties and insecurities fostered a growth in both solipsism and scepticism. Reason increasingly became viewed as mere sophistry and hypocrisy - a cloak with which to disguise particular material self-interests. With this growth in scepticism everything and every explanation became subject to doubt.

With the advance of scepticism the call to reason began to lose its certitude. The confidence of the bourgeoisie in themselves as heralds of a new world became sapped, while those voices calling for a return to the certainties of the old world were strengthened. In Britain and France, where the bourgeoisie had established itself beyond such doubt, the response of this advance of scepticism was to seek out the certainties of their everyday practical affairs. The intellectual representatives of the BriUsh and French bourgeoisie therefore sought refuge in the material facts of political economy and the natural sciences. The speculative rationalism of the seventeenth century, which had sought truth in the operations of pure thought, gave way to an empiricism which sought truth in material facts verified through observation of the real and objective world.

In the relatively backward conditions of Germany at this time there was no such refuge. The weak and far from established German bourgeoisie still needed reason as its ideal with which to assert itself over and against the forces of the old order. There could be no retreat to political economy and the natural sciences. The defence of reason as an ideal against the advance of scepticism could only be made on the high ground of philosophy. It was as such a defence that classical German philosophy arose in the late eighteenth century.

The fundamental problem of classical German philosophy was ethical. Despite the 'war of all against all' of bourgeois society, and the scepticism and solipsism that this engendered, the classical German philosophers sought to establish the basis for a rational and universal morality. But this raised the epistcmological problem of how such a rational and universal morality could he known to be true; which in turn raised the question of the rules and method thought - that is of logic. Hence classical German philosophy became preoccupied by the three interrelated issues of ethics, cpistemology and logic.

1. *Kant*

The leading figure in the emergence of classical German philosophy was Kant. Kant sought to establish a firm moral ground for the isolated bourgeois individual of his time. An island of moral certainty in the midst of the sea of venial self-interest. As we shall see, in order to hold at bay the contradictions and conflicts of the real world and establish the ground for a universal morality, Kant had to fall back on a fundamental dualism which was constructed out of a series of rigid antinomies within his philosophical system, not only in terms of his ethics, but also in terms of his logic and epistemology.

For speculative rationalism the essence of 'Man' had been reason. 'Man' distinguished himself from all other living beings by his conscious thought, and it was this ontological point of departure that Kant sought to rescue as his basis for a rational and universal morality. But, more than this, the speculative rationalists had attempted to derive truth through the simple operation of pure thought independently of the material world. However, against such speculative rationalism, the empiricists of Kant's time had argued that 'Man' was first and foremost a sensory being. 'Man' could only gain any certain knowledge through sensory data of the diverse material world. This implied that, since there could be no certain knowledge beyond material reality known to the human senses, there could be no rational basis for a universal morality over and against the immediate sensory perceptions of each human being. Each individual could therefore act only in accordance with the promptings of their own sensory understanding and desires.

Kant rejected such amoral conclusions implicit within empiricism and its attendant materialism. Instead he argued that there existed a set of moral principles - categorical imperatives - that were universal. These moral injunctions, being universal, existed prior to any social or sensory context. They were therefore both purely rational and suprahistorical. Yet, unlike the speculative rationalists, Kant did not reject the materiality of 'Man'. Rather he posited 'Man' as a duality; as both a rational and a sensuous being. This ethical duality was constructed in terms of Kant's antinomy between the 'Moral Man' and the 'Sensuous Man'.

As rational beings, human individuals were capable of going beyond the immediate world of the senses to postulate what ought to be. They were capable of formulating a moral world. At the same time, human individuals were sensory and material beings with immediate sensory needs and desires. Hence each human individual had the option of acting in accordance with either their moral or sensory selves.

If everyone acted in accordance with their moral self then this would promote the greatest common good, ought would become is and the moral world would be realized. However, even though the vast majority of

individuals would inevitably choose to follow their sensuous selves, thwarting the actions of those who chose the moral path, there was still for Kant a moral obligation for each individual to obey the categorical imperatives. These moral injunctions were not to be subordinated to other ends, nor were they to be chosen piecemeal or suspended under particular circumstances. They had to be applied consistently and as a whole, regardless of their effectiveness at any one time. Only in this way would human individuals act as the 'Moral Man' and free themselves from the dictates of the senses and realize their own essence as rational beings.

Yet this ethical position of Kant could only be sustained by first establishing the grounds for the certainty of knowledge and reason from which such categorical imperatives could be rooted and accepted as being universal. Indeed, the centrepiece of Kant's philosophy - The Critique of Pure Reason - is for the most part devoted to this epistemological task, and it was written well before Kant's principal work on ethics - The Critique of Practical Reason.

Whereas the empiricists viewed the mind as a mere mirror that simply reflected the 'facts' of the material world into consciousness, Kant conceived of the mind as instrument that actively gave form to such bare materials facts and thereby made them intelligible. By itself, the world immediately apparent to the human senses was merely a mass of formless and thus meaningless data. In order to make such data intelligible the mind has to give it form - it has to shape it and order it if is to make sense. But for Kant, this implies that the material world external to the conscious mind cannot be known other than through the actions of thought. It can never be known in-itself- as nomena - but only ever in its mentally constructed forms as phenomena.

With this line of argument Kant completely undercuts the empiricist's assertion of the supremacy of sensory data as the basis of knowledge. Yet with this we find Kant once more introducing a dualism into his thought, this time in his epistemology, which directly underlies the dualism of his ethics. We now have the antinomy of knowable phenomena and unknowable nomena; between the mind of the knowing subject and the world of material objects that are unknowable in themselves. A separation that echoes that of the 'Moral' from the 'Sensuous' 'Man'.

Like his ethics, Kant proposes that there exists a universal set of rules that governs the mind's appropriation of sensory data. Pre-existent to the appropriation of any particular sensory data, these rules of thought form an apriori knowledge without which such sensory data would be meaningless, since such data would be the content of knowledge without its form.

In unearthing this apriori knowledge, Kant had to separate it out from its application in the various empirical sciences which sought to understand the sensory world. Kant was anxious to avoid the trap of claiming that these

forms and categories of 'pure' knowledge could produce by themselves any new knowledge of the material world. They were after all only forms of knowledge that by themselves had no content. It had been such a claim that had led to the downfall of speculative rationalism at the hands of the empiricists. Instead Kant laid great stress on his insistence that these forms of thought - his 'transcendental logic' - were merely a 'canon of judgement' which had strict limits beyond which it could not safely go. Such logic could protect us from error but could not extend or enlarge our range of knowledge independently of any sensory content.

With this Kant came to construct a three-fold division within his epistemology. Firstly there was the formless content of immediate Sensory Perception. With the application of the apriori forms of knowledge this content was given a meaningful form as understandable phenomena within the second level of knowledge - that of Understanding. Thirdly, by separating out the action of thought within the process of understanding these forms of thought could become their own content. With this, knowledge reached its third level - the level of Reason.

At the level of Understanding the object of thought is external to the mind and is therefore unknowable in-itself. It can only be known through the forms with which it is appropriated by thought - as phenomena. However, with the reflexivity of thought at the level of Reason, thought becomes its own object; the content and form of knowledge thus become one and the same. As such, with Reason, thought can become certain of the knowledge of its object in- itself - as nomena. Hence, within the realm of Reason thought can become certain of itself.

So, by opposing Reason to Understanding and Sensory Perception, Kant was able to preserve a degree of epistemological certainty upon which to construct a rational and universal ethics. He was able to salvage reason as the basis of bourgeois morality against the ravages of scepticism and solipsism that had been fostered by empiricism and materialism.

But Kant was only at the beginning of classical German philosophy.

*Hi) Hegel*

While Kant stood at the opening of the era of classical German philosophy, Hegel brought it to its culmination. The one event which more than anything else separated these two great German philosophers, and which brought their two systems into confrontation, was the French Revolution. Kant's philosophy was formed before the outbreak of the French Revolution, and as such represented the plight of the isolated bourgeois individual trapped within the decaying feudal order. Hegel's philosophy, in contrast, was formed

in the aftermath of these great events, and took up the perspective of the bourgeoisie as a triumphant class seeking to organize society in its own interests.

For Hegel, reason was not a flickering candle used to guide the solitary individual, but the beacon to the whole world. Indeed, in his formative years Hegel is said to have welcomed Napoleon's invasion of his native Germany on the grounds that it would bring the gains of the French revolution to German soil. He had embraced the French Revolution as heralding the new age of reason which he then sought to crown with his own philosophy.

So what effects did these two differing perspectives that were separated by the revolutionary events in France have on the respective philosophies of Kant and Hegel?

For both Kant and Hegel thought was the very being of 'Man'; and the essence of thought was Reason. Hence, for both these idealist philosophers the essence of 'Man' was Reason. As we have seen, for Kant the universal forms of Reason are taken as simply implicit within the mind of each individual. Thus, from the Kantian perspective of the isolated bourgeois individual, Reason appears as given - that is, it stands before each individual as a pre-existent apriori knowledge. As such, in contradistinction to the contingency and contradictions of both Sensory Perception and Understanding, Reason presents itself as the common high ground upon which to construct a universal morality that may be adopted by all 'reasonable men'.

However, from Hegel's perspective, Reason could not be simply taken as given. While Reason was pre-existent to each individual, and therefore appears from the perspective of the individual as being an apriori knowledge, this was not true for society as a whole. For Hegel, Reason was the result of centuries of human thought. It therefore had to be shown how Reason had come about as the result of the history of human thought, and how it was then appropriated by each individual mind. For this, as we shall see, Hegel had to become a dialectician.

Kant had little time for dialectics.4 For him such a mode of thought belonged to the sophistry that arose within the contradictory realm of Understanding and did not belong to the higher realms of thought represented by Reason. Fleeing from the conflicts of bourgeois society, Kant could only see dialectics as a cloak for self-interest. From Hegel's perspective, however, each conflicting self-interest was merely a particular aspect of the totality of bourgeois society. It was through the very conflict and resolution of such contradictory self-interests that bourgeois society came to constitute itself as a social totality that ensured the common good. The ultimate resolution of such conflicts being embodied in the laws and institutions of the modem bourgeois state and church.

For Hegel, just as the modem state as the totality of bourgeois society was constituted as the ultimate resolution of the contradictions of particular self- interests, so Reason was constituted out of the resolution of the contradictory and contingent ideas of Sensory Perception and Understanding. Each conception developed by the Understanding would come into contradiction with its opposite. Both of these opposed conceptions would expose the one­sided and inadequate nature of the other obliging the mind to pass over into a more complete synthesis, thereby realizing these two opposites as being both grounded in a greater whole. Through such a dialectical progression thought would gradually reveal Reason as the totality of knowledge.

So, it is as a dialectical movement of totalization, which resolves the conflicts of particular interests and conceptions, that Reason becomes the common ground for all ’Men' - for all citizens - and this becomes concretely expressed in the laws, rights and duties of the modem state. This, however, is the result of Hegel's philosophical system. Hegel had to first show how Reason comes into the consciousness of both the individual and of society.

While for Hegel, Reason, and with it the heights of philosophical knowledge, is available to all 'Men' as rational beings, it is not simply given. It is the result of a long and arduous mental labour. The mind has to make the long ascent from the level of immediate Sensory Perception, through the realms of Understanding the objective and material world before it can reach the heights Reason and true philosophical knowledge. But in making this long ascent each individual will find that they are tracing out, albeit in abbreviated form, the long ascent made over thousands of years by the great thinkers of history. For Hegel, therefore, the first step of epistemology was history.

In his first major work - The Phenonenology of Spirit - Hegel seeks to follow the coming to consciousness of Reason for both the individual and for humanity as a whole. As Lukacs has shown, Hegel consequently traces out the ascent of thought to Reason three times.

Firstly, in what Hegel terms the Subjective Spirit:

Hegel presents...the evolution of individual consciousness from its lowest form, merely immediate perception of the world, right up to the highest categories of reason as these appear in individual consciousness. What is common to the different kinds of consciousness manifested is that it is everywhere confronted by an already established, alien world (nature and society). By coming into conflict with this world, and interacting with it, consciousness gradually ascends to its higher forms. (Lukacs, 1975, p. 472)

...the individual consciousness stands opposed to an unknown objective reality. This appears as fixed and alien because the determinations and mediations which are what makes objective reality and the role of the individual consciousness in it what they are, have not crossed the threshold of consciousness. Implicitly [an xich], however, they are already present and effectual.

(Lukacs, 1975, p. 472)

Once they do cross the threshold of consciousness, and thereby become explicit, we return and embark on the second ascent - which Hegel terms the Objective Spirit. With this Hegel brings:

...the consciousness of the individual to the stage where he is in a position to understand his own history, the history of the human race, in its reality. It is therefore comprehensible, indeed absolutely essential, that he should recapitulate the actual course of history from the new hard won vantage point.

Of course, he now does so in quite a different way. History had previously [in the ascent of the Subjective Spirit] provided a shadowy, enigmatic backcloth for the phenomenological unfolding of consciousness of the individual. Now, however, it appears as a coherent rational order. (Lukacs, 1975, p. 485)

Hegel does not, however, trace out history in its entirety but rather concentrates on what he sees as its three crucial stages in the development of human thought. These are identified and commented upon by Lukacs as follows:

1. 'Objective Spirit: the ethical order"

(The society of antiquity and its dissolution)

1. Spirit in Self-Estrangement: the discipline of culture 1 (the rise of civil society, the ideological crisis in the Enlightenment and the world crisis of the French Revolution).
2. 'Spirit Certain of Itself: morality'.

(Hegel's utopian dream of Germany under the domination of Napoleon). (Lukacs. 1975, p. 486)

In the third and final ascent - the ascent of the Absolute Spirit - Hegel recapitulates the development of thought through history once more, but now on the basis of the results of the previous ascents of consciousness. At the end of this third ascent the individual consciousness comes to recognize itself as an expression of human thought as a whole - with the absolute - and thereby becomes reconciled with the apparendy alien objective world as its own mental creation.

Despite changes in emphasis in Hegel's philosophy as he grew older, the Phenomenology remained the basis upon which he constructed his mature philosophical system. The development of his later works, such as his Encyclopedia, Science of Logic and Philosophy of Right, all echo the dialectical development that can be seen at work in the Phenomenology, and all find their epistemological basis within it. All these works, then, rest on the question of history.5

Indeed, as we shall see, it was the historical character of Hegel's that was of particular interest to Marx in his efforts to overcome the ahistorical character of bourgeois political economy. But ultimately for Hegel history was merely the first step of epistemology. It was merely the means through which to establish the self-certainty of knowledge and thus of Reason.

For Hegel, Reason was not produced through history but merely revealed. For him Reason stood outside of history - it was suprahistorical - and was only revealed to human consciousness through the history of human thought guided by the Absolute Spirit. With the full revelation of Reason by the Absolute Spirit, history, for all intents and purposes, had come to end. And indeed, in claiming to reveal Reason, Hegel had to bring history to a close with both himself and the bourgeois epoch.

As Lukacs has argued, for the 'Young Hegel', the French Revolution had announced the imminence of the new age of reason and thus heralded the 'end of history'. However, the defeat of Napoleon and the failure of the new world to emerge as the 'Young Hegel' had hoped led the 'Old Hegel', from the comfort of his position as the state philosopher of Prussia, to conclude that the 'new age' had in fact been in existence since the Reformation. Thus unlike, the 'Young Hegel' for whom history was the playing out its great finale, for the 'Old Hegel' history was well and truly over.

Lukacs, following Marx, characterizes this shift in Hegel's perspective on history as a shift from a position of 'uncritical utopianism' to a position of an 'uncritical positivism' which, as we shall see, mirrors a similar shift between the 'Young' and 'Old' Marx. But more on this later. We must now see how Marx came to appropriate Hegel's dialectic and conceptions of both history and totality.

1. Totality and dialectic in Marx

Whereas Kant may be classified as a liberal, complaining that the world is not completely what it ought to be, Hegel, in the end, was an arch-conservative. For Hegel the alienation and conflicts that abounded within capitalist society were the necessary playing out of the conclusions of a history that was for all intents and purposes over. The role of the philosopher was merely to look on. There was no question of trying to change the world for the world was now complete. Instead the philosopher had to be content with summing up the great intellectual labours that had gone before, and with the knowledge of the absolute that these efforts had revealed. As the 'Old' Hegel puts it:

One word more about giving instruction as to what the world ought to be. Philosophy in any case has always comes on the scene too late to give it. As thought of the world, it appears only when actuality is already there cut and dried after its process of formation has been completed. The teaching of the concept, which is also history's inescapable lesson, is that only when actuality is mature that the ideal first appears over and against the real and that the ideal apprehends this same real world in its substance and builds it up for itself into the shape of an intellectual realm. When philosophy paints its grey in grey, then has a shape of life grown old. By philosophy's grey in grey it cannot be rejuvenated but only understood. The owl of Minerva spreads its wings only with the falling of the dusk. (Hegel, 1952, p. 12)

Marx on the other hand was a radical and a revolutionary. For him the question was not merely to 'interpret the world but to change it'. Marx had to place himself, not at the end of history, but at the centre of history-in-the- making. Marx's association with the proletariat and his direct experience of political repression and exile meant that he could not simply look for a change in his own attitude to the world to reconcile himself to its inherent evil. He had to demand real material changes. A demand that required him to become an unequivocal materialist.6

However, Marx recognized that, despite its conservative and idealist character, Hegel's dialectic contained a 'rational kernel' hidden within its 'mystical shell'. In confronting Hegel, Marx sought to invert Hegel's dialectic and reconstruct it on a materialist footing. He sought to turn this vital weapon of the bourgeoisie's most sophisticated defender against bourgeois society itself..

How then did Marx come to appropriate and reconstruct the Hegelian dialectic? How did it come to serve him in his battle against bourgeois

political economy?

1. *Dialectic as ontology*

As we saw, in chapter 2, Marx's critique of Hegel developed from within the Young Hegelian thematic of human alienation and human liberation. Indeed, it was the very question of human alienation that drove Marx to challenge the very ontological basis of Hegel's dialectic. We must therefore reconsider the development of this critique in a little more depth.

For the Young Hegelians the source of human alienation - and therefore the point of departure for human liberation - lay within the realm of religious ideas. As a consequence their confrontation with Hegel, and the Old Hegelians, had centred on his defence of the established Protestant Church. However, as Lukacs has ably demonstrated, Hegel in his formative years had himself been concerned with the question of human alienation in modem society, particularly with regard to religion. For the 'Young' Hegel Christianity seemed to impose itself over and against the individual consciousness as an external and somewhat inhuman set of moral injunctions issuing from an other worldly God. As such it contrasted unfavourably with the more immediately human religions of the classical world

However, the Young Hegel did not confine his criticisms of the alienation of modem bourgeois society simply to religion. Indeed for the formative Hegel, this 'positivity' of Christianity extended beyond the realm of religion to pervade the realm of public affairs, where again the modem state contrasted unfavourably with the more humane and intimate ancient polis; and even economics, where Hegel lamented the alienated relations between people that had arisen with the modem monetary economy.7 To this extent, and unknown to Marx, Hegel went beyond his latter day critics within the Young Hegelian movement

However, Hegel did not linger long in his nostalgia for the long lost world of antiquity. Instead he came to view such 'positivity' of the modem world as an inevitable part of human development. A development which had in any case revealed such 'positivity' - such human alienation - as being little more than an appearance. Once the individual consciousness had ascended to the heights of philosophical Reason it could recognize itself as a constituent moment of the Absolute; of both God and the state. The apparently alien world of modem society would then become reconciled as the individual consciousness's own creation. The apparent 'positivity' of this world would then vanish giving rise to a perception that would far surpass the immature immediacy of antiquity.

For Hegel, then, alienation was a necessity, but it was a necessity that

would ultimately prove to be only apparent. It was a necessary stage in the unfolding of human consciousness that was ultimately annulled and superseded through a mere change in attitude. In terms of religion, this supersession had been made with the Reformation, which for Hegel had overcome the externality of the old Catholic Church, which had placed the priest between 'Man' and God, by placing God within each individual consciousness.

Hegel was driven to such conservative conclusions, despite his youthful protestations, by his idealist ontological premises. A point that escaped his Young Hegelian critics who failed to challenge them. So what were these ontological premises that Marx came to overturn?

For Hegel, as an idealist, being was thought, and, as we have previously noted, for him the essence of 'Man' was therefore Reason. As such, the objectification of "Man' in the natural world was necessarily an act of alienation. In thinking about the external world of objects consciousness had to go beyond itself into its other. It had to negate itself in the alien world of natural of unconscious objects. This process of objectification was therefore at one and the same time a process of alienation.

However, once thought recognized its understanding of the natural world as the work of Reason then it could return to itself. Thought would have negated its own negation and reasserted itself over and against the natural world. With this negation of the negation the alienation of the individual consciousness would be both annulled and superseded within the community and totality of Absolute Reason. It would recognize itself - its essence - as a rational being.

It was this ontological dialectic of consciousness which was then used by Hegel in his defence of modem bourgeois society. Mirroring the dialectical movement of consciousness, Hegel, in his Philosophy of Right, explains the development of the will of the individual into reconciliation with the Will of the State. Just as the individual consciousness must enter the alien world of objects, so the individual subject must leave the intimate world of the family to 'make a living' in civil society. But civil society, and with it the market economy, at first confronts the individual as an alien world of competing wills each striving for their own self-interest over and against all others.

Yet it is through such competing and opposed interests that modem society becomes constituted and each of its members sustained. Once the individual comes to recognize that her own needs are met through the competition within civil society; and once she realizes that her own rights to property and liberty are ensured through the rights of others - by the very universality of these rights - she comes to recognize herself as a particular citizen of the state whose rights and duties are the general expression of her own will. She becomes reconciled to the state and her own particular role within it. Hence,

just as the alienated condition of consciousness is negated as a moment in the totality of Reason, so the political and economic negation and alienation of the individual will in civil society is negated within the totality of the modem state.

In order to develop his critique of this defence of the bourgeois state and society Marx's first task was to strike at its heart by reconstructing Hegel's idealist ontology in materialist terms. For a starting point to such an ontological inversion Marx looked to Feuerbach. Indeed, as we saw in chapter 2, it was through the materialism of Feuerbach that Marx had begun his critique of Hegel's theory of the state by showing that individuals and classes were not merely particular expressions of the idea that was given a material expression in the state, but rather the ideal state was an abstraction arising from the real concrete individuals and classes that made up the materially existing state and society.

So what was this materialist ontological starting point that Marx found in Feuerbach? How did it contrast with that of Hegel?

In taking being as thought, and Reason as the essence of 'Man', Hegel's idealist ontology opened with the very exclusion of nature. For Hegel, 'Man's' objectification in nature was merely an intermediate step through which the individual conscious subject came to identify herself with the absolute - with God as Reason or, in less mystical terms, with the totality of human thought. So, Hegel's ontological dialectic began with the immediate opposition of 'Man' to nature and ended with the annulment of nature in the self-identity of thought.

Feuerbach directly inverted this ontological starting point. For Feuerbach, human beings were first and foremost natural and sensuous beings. They were not simply thinking subjects but had a natural and objective being. As a result, Feuerbach took as his starting point the immediate unity of 'Man' with nature. But this did not mean Feuerbach simply reduced 'Man' to an indifferent product of nature. He did not deny the importance and distinctiveness of consciousness - 'Man' as a rational being. However, the essence of 'Man' was no longer Reason as such, but 'Man's species being'; that is 'Man' as a subjective/objective thinking animal. Consciousness and reason were therefore a natural, but not an exclusive part of what it was to be human.

This was a vital advance for Marx. With what Marx came to call real humanism, Feuerbach had gone beyond all his contemporaries within the Young Hegelian movement by discarding the idealist ontological point of departure of German philosophy, without at the same time falling foul of the vulgar materialism of the eighteenth century which had sought to reduce human thought and action to mechanical and chemical causation. Indeed, it opened the way for Marx to reconstruct Hegel's dialectic on a materialist

footing.

The Hegelian dialectical movement of the self-estrangement of self- consciousness in the objective and natural world could now be reinterpreted as the self-estrangement of 'Man' from his 'species being'. The consequences of this for Feuerbach had been that Hegel's 'theology' had now to be reconstructed as an 'anthropology'. It was no longer sufficient to rationalize the blind faith of Christian theology through its supersession in philosophy, as Hegel had proposed, but to retrieve 'Man's' essence - his species being - which had ceased to correspond to his existence in contemporary religious thought. For Feuerbach, Christianity could not be simply redeemed by recognizing the rationality behind its faith since it was irredeemably an unnatural religion that denied the sensuality of Man'.

However, in developing Feuerbach's critique of Hegel into politics and political economy Marx was obliged to begin to go beyond Feuerbach. This becomes readily apparent by the 1844 Manuscripts. In this work, in which he brings Hegel, political economy and communism into a critical confrontation with each other, it becomes clear that Marx's ontological point of departure is no longer the immediate opposition of 'Man' to nature of Hegel and idealist philosophy, nor the immediate unity of 'Man' to nature of Feuerbach; rather, the relation of human beings to nature is now one of a mediated unity of opposition.

For Marx, like Feuerbach, human beings are natural and sensuous beings and as such are a product of nature. Yet human beings distinguish themselves from the rest of nature by their conscious transformation of their environment. Indeed, as Marx points out in The German Ideology:

Men can be distinguished from animals by consciousness, by religion or anything else you like. They themselves begin to distinguish themselves from animals as soon as they begin to produce their means of subsistence. (Marx, 1970, p. 42)

Through the mediation of human praxis - human labour - human beings become distinguished from the rest of nature but are at the same time united with it. Through the process of acting on the external natural world, by objectifying themselves within it, human beings not only transform nature in accordance with their own needs and desires but in doing so develop these very needs and desires and thereby come to transform themselves. Human praxis serves to develop human nature at the same time as making nature more human.

Hence, for Marx, there is a dialectical relation of 'Man' and nature, but unlike Hegel, the starting point of this ontological dialectic is the mediation of human praxis. This has important implications for the question of human

alienation.

As both Arthur and Meszaros have pointed out, in the 1844 Manuscripts Marx considers the mediation of human praxis as two-fold.8 Firstly, there is human praxis as a transhistorical mediation of human beings to nature in which, as we have seen, human beings are both distinguished and united with nature and each other as social beings. Indeed, it is through the very objectification and extemalization of human praxis that human beings produce themselves as human. As Marx elaborates:

The practical creation of an objective world, the fashioning of inorganic nature, is proof that man is a conscious species-being... It is true that animals also produce. They build nests and dwellings, like the bee, the beaver, the ant etc. But they produce only their own immediate needs or those of their young; they produce one- sidely, while man produces universally; they produce only when immediate physical need compels them to do so, while man produces even when he is free from physical need and truly produces only in freedom from such need; they produce only themselves, while man reproduces the whole of nature; their products belong immediately to their physical bodies, while man freely confronts his own product. Animals produce only according to the standards and needs of the species to which they belong, while man is capable of producing according to the standards of every species and of applying to each object its inherent standard; hence man also produces in accordance with the laws of beauty.

It is therefore in his fashioning of the objective that man really proves himself to be a species-being. Such production is his active species life. Through it nature appears as his work and reality. The object of labour is therefore the objectification of the species-life of man: for man reproduces himself not only intellectually in his consciousness, but actively and actually, and he can therefore contemplate himself in a world he himself created. (MEW, p. 328)

Thus for Marx, as opposed to Hegel, the objectification of 'Man' is not necessarily at one and the same time an act of alienation. On the contrary, through the process of objectification human praxis human beings realize their human essence - their 'species being'.

However, at the same time, it is true that nature may prove recalcitrant to human efforts. Indeed, human praxis may become overwhelmed by natural forces that are beyond its control. Famines, floods and diseases can all thwart and annul the results of human labour. As such nature stands opposed to human beings as an alien force. However, with the exception of those

circumstances in which human praxis works against its own purposes - such as in the case of the overtillage of the land and the subsequent impoverishment of the soil - such natural alienation lies outside of human praxis; it stands as an external limit of the efficacy of human praxis. This Ls not the case with the social alienation that may arise with human praxis as second order mediation.

The appropriation of nature through human praxis is necessarily a collective process. The relation of 'Man' to nature therefore involves the social relations of 'Man to Man', which are themselves historically specific. This becomes most apparent within bourgeois society. Under capitalism human beings as direct producers find themselves excluded from nature and the means with which to produce their own subsistence by the social institution of private property. As a consequence the worker has to sell her own labour-power to the property-owner - the capitalist - in order to survive. The worker therefore find that she is alienated from her own productive activity by the social mediation of private property.

Hence the process of labour becomes a process of alienation. As Marx elaborates:

...labour is external to the worker i.e. does not belong to his essential being; that he therefore does not confirm himself in his work, but denies himself, feels miserable and not happy, does not develop free mental and physical energy, but mortifies his flesh and ruins his mind. Hence the worker feels himself only when he is not working; when he is working he does not feel himself. He is at home when he is not working, and not at home when he is working.

His labour is therefore not voluntary but forced, it is forced labour... Just as in religion the spontaneous activity of the human imagination, the human brain and the human heart detaches itself from the individual and reappears as the alien activity of a god or of a devil, so the activity of the worker is not his own spontaneous activity. It belongs to another, it is a loss of his self.

(MEW, p. 326)

As a consequence the worker:

...makes his life activity, his being [Wesen], a mere means to his existence. (MEW, p. 328)

For Marx then, only under certain historically specific circumstances, such as those that exist within capitalist society, does the process of the objectification of human beings become at the same time a process of

alienation. The error of bourgeoise apologists, such as Hegel, was to conflate these historically specific second order mediations of human praxis - those of human alienauon - with the transhistorical first order mediations of human objectification. Human praxis, or more specifically human labour, within capitalist society had therefore to be consider as two-fold; as both a process of objectification and, at the same lime, as a process of alienation.

So, with his theory of alienation, which he first sets out in the 1844 Manuscripts, Marx lays the ontological foundations for his critique of bourgeois society, which then became developed in his later works, and at the same time affirms the ontological possibility of communism. Against Hegel, Marx is able to show that alienation is not an ontological necessity of human labour but is rather historically contingent. Hence, despite all the denials of Hegel and bourgeois political economy, communism as a society of free and unalienated human praxis emerges as an ontological possibility.

However, in the course of developing his theory of alienation against both Hegel and the political economists, Marx was increasingly driven into a confrontation with Feuerbach. Feuerbach's ontological starting point of the immediate unity of 'Man' and nature - which as we have seen Marx had already abandoned by the 1844 Manuscripts - meant that he could only conceive of alienation as the separation of 'Man's' ideas from his natural and essential being. Therefore, for Feuerbach, despite his materialist intent and starting point, ended up as little more than an idealist, demanding no more than the reform of religion. Indeed, by the time of The German Ideology Marx had lumped his erstwhile mentor with the rest of the Young Hegelians.

For Marx, unlike Feuerbach, the source of alienation lay in the economic and material organization of society. It was therefore a real alienation that demanded a real and practical revolution, rather than merely a revolution in ideas. A point he presses home in his Theses on Feuerbach as follows:

Feuerbach starts out from the fact of religious self-alienation, of the duplication of the world into a religious world and a secular one.

His work consists in resolving the religious world into its secular basis. But that the secular basis detaches itself as an independent realm in the clouds can only be explained by the cleavages and self- contradictions within this secular basis. The latter must, therefore, in itself, be both understood in its contradiction and revolutionised in practice. Thus, for instance, after the earthly family is discovered to be the secret of the holy family, the former must then be destroyed in theory and in practice. (Marx, 1970, p. 122)

But what was to constitute the basis of this 'practical revolution'? The abolition or redistribution of private property that the socialists demanded?

No, not quite! Such socialist demands did recognize the need for a practical and material change in the economic organisation of society but for Marx they did not go far enough. Against the demands of the socialists - or 'crude communists' - Marx argues that private property is not the primary cause of alienated labour but its consequence. Under capitalism, private property, in the form of capital, does not stand independently of labour but is labour itself. Capital, as the classical political economists recognized, was merely the accumulation of alienated labour. It was labour standing against itself as an alien power.

It is therefore not sufficient simply to abolish or negate private property, since this may merely mean collectivising it. With such communism:

...the community is simply a community of labour and equality of wages, which are paid out by the communal capital, the community, as universal capitalist. Both sides of the relation are raised to an imaginary universality - labour as the condition on which everyone is placed and capital as the acknowledged universality and power of the community. (MEW, p. 346)

Rather the task of communism is for Marx:

...the positive supersession of private property as human self estrangement, and hence the true appropriation of human essence through and for man; it is the complete restoration of man to himself as a social, i.e. human, being, a restoration which has become conscious and which takes place within the entire wealth of previous periods of development. (MEW, p. 348)

While the socialists were correct to accuse the political economists of overlooking the human degradation and impoverishment brought about by the unrestrained development of private property, and as a consequence to demand a new socialist society, they had failed to grasp the inner connection of the lack of property to property itself - of labour to capital. For Marx, the socialists merely juxtaposed the poverty of the working masses to the wealth of the propertied classes. As Marx observes:

The antithesis between propertylessness and property is still an indifferent antithesis, not grasped in its active connection, its inner relation, not yet grasped as contradiction, as long as it is not understood as the antithesis of between labour and capital.

(MEW. p. 345)

As a consequence, the socialists, for Marx, not only failed to grasp the communist project, but also all too easily fell into a moralistic utopianism. As such, their understanding of capitalist society fell far below that of the bourgeois political economists, who clearly acknowledged labour as the 'subjective essence of private property'.

However, it must be said that in the 1844 Manuscripts Marx is not so much concerned with opposing and overcoming the inadequacies of contemporary socialist theories but with clarifying his relation to both Hegel and classical political economy. Indeed, Marx makes little attempt to explore in depth the theories of such prominent contemporary socialists as Proudhon as he was to do a few years later; and it may be said that the 'crude communism' that he presents in these manuscripts is something of a caricature in some places.9 But it is through this confrontation of 'crude communism' and classical political economy that we can see Marx making his reappropriation of the Hegelian dialectic.

With classical political economy's recognition of labour as the 'subjective essence of private property' - of capital as the accumulation of objectified and alienated labour - Marx was able to draw a direct parallel with the critique of Hegel's theory of the reformation as the historical supersession of the externality of Catholicism. As Marx remarks:

Engels was therefore right to call Adam Smith the Luther of political economy. Just as Luther recognised religion and faith as the essence of the external world and in consequence confronted Catholic paganism; just as he transcended external religiosity by making religiosity the inner essence of man; just as he negated the idea of priests as something separate and apart from the layman by transferring the priest into the heart of the layman; so wealth as something outside man and independent of him - and therefore only to be acquired and maintained externally - is abolished [aufgehoben]. I.e. its external and mindless objectivity is abolished inasmuch as private property is embodied in man himself and man himself is recognised as its essence - but this brings man himself into the province of private property, just as Luther brought him into the province of religion. So although political economy, whose principle is labour appears to recognize man, it is in fact nothing more than the denial of man carried through to its logical conclusion: for man himself no longer stands in relation of external tension to the external essence of private property - he himself has become the tense essence of private property. What was formerly being-extemal-to-oneself, man's material extemalisation, has now become the act of alienation... (MEW, p. 342)

Taken from a materialist perspective it becomes clear for Marx that:

...Hegel's standpoint is that of the modem political economy.

(MEW, p. 386)

Indeed, once his ontological conflation of objectification and alienation - the conflation of the two orders of mediation of human praxis - is recognized and real sensuous 'Man' is substituted for self-consciousness and the Absolute Spirit, it becomes clear that Hegel's dialectic is descriptive of the alienated movement of modem bourgeois society - albeit in abstract and idealist terms. However, it is these very abstract and idealist terms that allow Hegel to go beyond the political economists to address the question of alienation. While the political economists recognized the antithesis of labour and capital they could never admit this as a contradiction, nor could they accept that:

The worker is the subjective manifestation of the fact that capital is man completely lost to himself, just as capital is the objective manifestation of he fact that labour is man lost to himself.

(MEW, p. 344)

For political economy, which is only concerned with understanding the objective laws of the capitalist economy, the alienation of 'Man' is always beyond their concern. It enters only as a natural presupposition of their analysis. In contrast:

The importance of Hegel's Phenomenology and its final result - the dialectic of negativity as the moving and producing principle - lies in the fact that Hegel conceives the self-creation of man as a process, objectification as loss of object [Entgegenstandliching], as alienation and as supersession of this alienation; that he therefore grasps the nature of labour and conceives objective man - true, because real man - as the result of his own labour. The real, active relation of man to himself as a species-being, or the realisation of himself as a real species-being, i.e. as a human being, is only possible if he really employs all his species-powers - which again is only possible through the cooperation of mankind and as a result of history - and treats them as objects, which is at first only possible in the form of estrangement (MEW, p. 385)

For Hegel the problem of alienation is not a given presupposition; he can therefore pose the possibility of the overcoming of human alienation. But because:

The only labour Hegel knows and recognises is abstract mental labour. (MEW, p. 386)

Hegel need not admit the possibility of communism. The return of 'Man to himself becomes a matter of mental altitude; a reconciliation to the objective economic laws of bourgeois society.

However, it is not sufficient to merely place Hegel's dialectic on a materialist footing, any more than it was sufficient to simply invert his ontological starting point as with Feuerbach. Whereas the political economists took private property as natural, Hegel conflated private property with nature. Hegel's dialectic describes the loss of abstract mental labour in the external and alien world of nature and its subsequent return to itself. However, the loss of real labour in private property could not be so easily resolved through a simple act of reconciliation - through an act analogous to the culmination of Hegel's dialectic in a 'negation of the negation'. It was not sufficient simply to substitute real material labour for Hegel's abstract mental labour, since this would simply end up describing bourgeois society as it is. Instead it was necessary to reconstruct Hegel's dialectic not only as a materialist dialectic but also as a radically open dialectic. We shall return to this important point in due course, but before this we shall consider Marx's appropriation of Hegel's dialectic as history.

1. *The dialectic as history*

Whereas Hegel placed himself at the end of history, the Marx of the 1844 Manuscripts placed himself at its beginning. For Marx at this time, the bourgeois epoch was not the culmination of history, but of pre-history; it did not realize the full development of humanity, but rather its self-estrangement in private property. It was only with the positive supersession of private property, and with it human alienation, in a free and unalienated communist society that history would at last begin. It would only be then that human beings would return from their self-estrangement in private property, and it would only be then that humanity would come to fully know the world and transform it in accordance with their own fully developing needs and desires.

It was this radical shift in historical perspective - this leap into communism - that the Marx of the 1844 Manuscripts was able to gain the critical distance necessary to confront Hegel and the political economists and thereby refute their denial of the possibility of communism. But, at the same time, it also allowed Marx to go beyond the utopian socialism of the time by showing how such socialism was not utopian enough; how it failed to break from the essence of bourgeois society, and therefore how it could never get beyond capitalism itself. Marx's leap into communism was utopian but it was a

critical utopianism.

However, while Marx in the 1844 Manuscripts defined the tasks of communism and demonstrated the ontological possibility of a communist society, he failed at this stage to develop the historical possibility of communism. It was clear for the Marx of 1844 that it was not sufficient merely to change people's ideas; it was necessary to transform the real social and economic relations of production to bring communism into being. It was also clear that capitalism prepared the economic and material conditions for a communist society of plenty. But it was less clear as to how the communist revolution could come about. How could a communist society emerge out of capitalism?

To answer this Marx had to place himself within history. He had to go beyond the Young Hegelian thematic of human alienation and human liberation' to his new thematic of 'capitalism and its overthrow'. But, as we saw in the previous chapters, this implied not only a distinct and final break with Young Hegelianism in general but with Feuerbach in particular. The Marx of The German Ideology is no longer concerned with the abstract Feuerbachian 'Man' but with 'real historical man'. For it was not 'Man' as such that would overthrow capitalism for Marx, but the revolutionary proletariat, historically and necessarily produced by capitalism itself.

How then does Marx place himself within history? How does he make Feuerbach's abstract 'Man' into 'real historical man'? And how does this inform the communist project for the critique and practical overthrow of capitalism?

As Marx stresses against the idealism of the Young Hegelians in The German Ideology, it is on the basis of the production of their own material subsistence that human beings produce themselves as social beings. The basis of history is therefore not the apparently independent development of ideas but the development of the real production of material life. As Marx argues:

The first premise of all human history Ls, of course, the existence of living human individuals. Thus the first fact to be established is the physical organisation of these individuals and their consequent relation to the rest of nature... The writing of history must always set out from these natural bases and their modification in the course of history through the action of men.... The way in which men produce their means of subsistence depends first of all on the nature of the actual means of subsistence they find in existence and have to reproduce. This mode of production must not be considered simply as being the production of the physical existence of the individuals. Rather it is a definite form of activity of these individuals, a definite form of expressing their life, a definite mode of life on their pan. As

individuals express their life, so they are. What they are, therefore, coincides with their production, both with what they produce and with how they produce. The nature of individuals thus depends on the material conditions determining their production.

(Marx, 1970, p. 42)

However, human individuals do not produce on their own, but rather through and within society under a given social division of labour. How human individuals come to express their life therefore depends on how they relate to others through the historically given social organization of production. As Marx himself states:

...the existing stage in the division of labour determines...the relations of individuals to one another with reference to the material, instruments, and product of labour. (Marx, 1970, p. 43)

Therefore, in the first instance, as social beings, human beings are produced out of the historically determined material conditions of society. It is from this material and historical basis that human consciousness then arises:

The production of ideas, of conceptions, of consciousness, is at first directly interwoven with the material activity and the material intercourse of men, the language of real life. Conceiving, thinking, the mental intercourse of men, appear at this stage as the direct efflux of their material behaviour. The same applies to mental production as expressed in the language of politics, laws, morality, religion, metaphysics etc. of a people. Men are the producers of their conceptions, ideas etc. - real, active men, as they are conditioned by a definite development of their productive forces and of the intercourse corresponding to these, up to its furthest forms. Consciousness can never be anything else than conscious existence, and the existence of men is their actual life-process. If in all ideology men and their circumstances appear upside down as in a camera obscura, this phenomenon arises just as much from their historical life-process as the inversion of objects on the retina does from their physical life-process. (Marx, 1970, p. 47)

So, with The German Ideology, it becomes clear that, as social beings, human beings and their ideas arise out of a given material and historical context. Hence, human nature, the 'essence of man' is historically determined. Feuerbach's 'species being' now emerges as an empty abstraction; it is necessary to consider 'real historical man' - human beings as members of

distinct social groups and classes with a given organization of society.

It terms of social change this has important implications. Firstly, against the conservatives, if human nature is not fixed but historically determined, then communism cannot be denied by an appeal to immutability of human nature. Secondly, against the 'true communist’ it becomes clear that there cannot be simply an appeal to some abstract humanity to change its ideas. Communism demands a social revolution that will transform the material basis of society. A social revolution that can only be brought about out of class conflict and on the basis of given material preconditions:

These conditions of life, which each generation finds in existence, decide also whether or not the periodically recurring revolutionary will be strong enough to overthrow the basis of the entire system.

And if these material elements of a complete revolution are not present (namely, on the one hand the existing productive forces, on the other the formation of a revolutionary mass, which revolts not only against separate conditions of society up till then, but against the very 'production of life’ till then, the 'totality of activity' on which it was based), then, as far as practical development is concerned, it is absolutely immaterial whether the idea of this revolution has been expressed a hundred times already, as the history of communism proves. (Marx, 1970, p. 59)

So, against the idealism of Young Hegelianism and 'true communism', Marx asserts that revolution cannot be brought about by an act of sheer will, or by 'changing people's ideas', it demands certain material and objective preconditions. But it is also clear that for Marx, while 'circumstances make men', it is also true that 'men make circumstances'. In consciously acting on the world human beings do in fact make history. As Marx was to proclaim a few years later:

Men make their own history, but they do not make it just as they please; they do not make it under circumstances chosen by themselves, but under circumstances direcdy encountered, given and transmitted from the past. (MESW, p. 97)

For Hegel, history was not a human creation but a divine revelation. Hegel could therefore only consider history in its result. As such, history appeared as a self-developing singular totality which culminated with Hegel himself and contemporary bourgeois society. Indeed, for Hegel, bourgeois society, as the inevitable outcome of history, was necessarily implicit from the beginning of history. It was the very telos of history's self-development.

By taking history simply as result, history, for Hegel, came to serve as merely an affirmation of present capitalist society. Yet, for Marx, despite such conservative implications, this telelogical view of history was a decisive advance over the view of history as simply a chain of random events. Indeed, Marx himself can also be seen to take history in its result, but in materialist terms. For Marx, from the perspective of capitalist society history can indeed be seen as the self-development of a singular totality. It can be seen as the self-development of the forces of production which inevitably develop over and against the will and purposes of human beings.

As such, history appears as a sequence of distinct forms of societies, based on given modes of production, each of which then serve as stages in the development of production towards its culmination with the capitalist mode of production, which then provides the material preconditions for communism. But this simply rewrites Hegel's dialectic in materialist and productivist terms. History is now made not by some alien God but by alien objective and material conditions. It denies that human history is made by human beings. History becomes predetermined in its result.

But in positing history as a sequence of modes of production, each giving rise to distinct forms of society, history, considered as process, emerges as a series of distinct social totalities. A plurality of totalities whose persistence Ls only provisional, and which are thus merely transitory. A transitoriness that then can be applied to the capitalist mode of production as well.

Each mode of production defines the material preconditions for the interaction and of real historical human beings, the terrain of conflict for the historically specific classes which it forms, and prescribes the consciousness that such human beings have of such interactions. But each mode of production can only persist insofar as it can contain the social conflicts it may engender. The outcome of such conflicts, while delimited to certain distinct possibilities, are always uncertain, and, at their extreme, contain the possibility of the transition to a new mode of production and society.

For Marx then, history as a universal singular totality must become replaced by a plurality of totalities once we move from the perspective of history as result to history as process-, that is, once we place ourselves within history.1 But this also implies a transformation in the very terms of the Hegelian dialectic, which we shall now briefly examine.

As we have already noted, Hegel brings the dialectic of history to close with himself. For him the dialectic of history was only the means through which the Absolute and the eternal revealed themselves. Once revealed, all that was left was the reaffirmation of the Absolute. History was at and end. Stripped of its 'mystical' garb Hegel's dialectic of history stands as an affirmation of bourgeois society. Bourgeois society stands as the inevitable culmination of history; as its absolute and eternal truth. For Hegel, the restless change and incessant conflicts apparent within bourgeois society ultimately serve to reaffirm it. Indeed, it is through these very contradictions that bourgeois society is produces itself as a totality. In short, for Hegel, the more things change the more they stay the same.

As a consequence, while Hegel’s dialectic recognizes, and indeed embraces, opposition and contradiction, it must ultimately always seek their resolution; it must always reaffirm their identity. Hegel's dialectic is therefore a closed dialectic. It is a dialectic of identity through difference that denies rupture or antagonism; a dialectic of identity in opposition. This becomes clear if we return once more to Hegel's ontological dialectic.

As we have seen, for Hegel the individual self-consciousness can only affirm its own identity through externalizing itself into the alien world of natural objects. However, in doing so the identity of the individual consciousness becomes negated by the multiplicity of objective determinations. Yet in coming to know this external world the individual self- consciousness comes to recognize its knowledge as Absolute, as Reason. Hence, the individual consciousness comes to affirm its own identity as rational thought over and against the non-conscious natural world of objects. Thus through the supersession of the opposition of the conscious subject and the non-conscious objective world of nature, self-consciousness finds its resolution in the self-identity of Absolute Reason.

Yet as Marx points out, Hegel's dialectic does not really supersede nature as object:

The way in which consciousness is, and in which something is for it, is knowing. Knowing is its only act. Hence something comes to exist for consciousness in so far as it knows that something. Knowing is its only objective relationship. It knows the nullity of the object, i.e. that the object is not distinct from it, the non­existence of the object for it, in that it knows the object as its own self-alienation\ that is, it knows itself - i.e. it knows knowing, considered as object - in that the object is only the appearance of an object, an illusion, which in essence is nothing more than knowing

itself which has confronted itself with itself and hence with a nullity, a something which has no objectivity outside knowing. Knowing knows that when it relates itself to an object it is only outside, alienates itself; that it only appears to itself as an object, or rather what appears to it as an object is only itself. (MEW, p. .392)

By beginning with being as consciousness Hegel excludes nature from the very start. The opposition of consciousness to nature is only an apparent opposition. Consciousness never really goes beyond its own realm. Its self- identity is thereby assured.

Marx, in contrast, begins with the human praxis as the mediation of human beings with nature. Human beings are natural objective/subjective beings but at the same time distinguish themselves from nature through their conscious praxis. Marx therefore starts not with identity but with mediation - with the unity of opposition of human beings with nature. Since neither term Ls implicitly excluded from the start, this opposition emerges as a real and persistent opposition that can not be resolved once and for all. Marx's dialectic thereby becomes a radically open dialectic."

With this shift of emphasis within Marx's open dialectic onto mediation - onto the dialectic as the movement of a unity of opposition - there is no longer any guarantee that contradictions will he resolved within the unity of the totality. Such unification is only ever provisional. There is always the possibility of contradiction turning into an irresolvable antagonism, into rupture and the dissolution of the totality. Crisis and revolutionary change becomes a real possibility.

As we shall see, an understanding of Marx’s dialectic, as not merely a materialist dialectic, but as an open dialectic is vital to understanding the development of Marx's critique of bourgeois society. Indeed, while on the objective side Capital can be seen as nothing more the unfolding of the unity in opposition of value and use-value, on the subjective side the persistence of capitalism rests for Marx on the provisional unity in opposition of capital and labour - of the bourgeoisie and the proletariat.

**Notes**

1. See Meikle (1985).
2. Indeed, up until relatively recently English speaking Marxism has been dominated by the analytical tradition. The most notable contemporary examples of which being Elster (1986) and Roemer (1986). An important part ot this tradition has given rise to what has become known as Neo-Ricardian or Sraffian Marxism in the realm of 'Marxist

economics', a school of economic thought which we shall consider in more detail in chapter 12.

1. The following discussion concerning the relation of Kant, Hegel and Marx has drawn extensively, not only on Lukacs, hut also on the work of Norman (1981).
2. Kant dismissal of dialectics is quite explicit: 'However various were

the significations in which the ancients used 'dialectic' as the title for a science or art, we can safely conclude from their actual employment of it that with them it was never anything else than the logic of illusion. It was a sophistical art of giving to ignorance, and indeed to intentional sophistries, the appearance of truth, by the device of imitating the methodological thoroughness which logic prescribes, and using its 'topic' to conceal the emptiness of its pretensions.' (Kant, 1961, p. 99).

1. For a comparison of Kant's, Hegel's and Marx's conception of history, see Meszaros (1986)
2. For a discussion of the confrontation between the conservative dialectic of Hegel and the revolutionary dialectic of Marx, see Hook (1962).
3. These radical criticisms advanced by the Young Hegel were set out in the first formulations of his philosophical system which are contained in his 'Jena writings': see Harris & Knox (1979) and Rauch, (1983). These early writings, originally intended as lecture notes, were not published until 1931 and as a consequence were unknown to Marx and his contemporaries. For a critical examination of these Jena writings' and their relation to both the mature writings of Hegel and to Marx, see Arthur (1988).
4. See Arthur (1986) and Meszaros (1970).
5. For example, in the section 'Private property and communism' Marx

derides the 'crude communist' proposal for the 'community of women'. Yet there is little evidence that any of the socialist that Marx could of been referring to advanced any such proposal.

1. For a more detailed consideration of the plurality of Marx's dialectic compared with the singularity of Hegel's dialectic, see Hunt and Swan (1982).
2. This reconstruction of the terms of the dialectic made by Marx is briefly considered by Nicolaus in his forward to the English translation of the Grundrisse.

**5 The dialectic of capital and the counter-dialectic of class struggle**

**Introduction**

In the famous opening of The Communist Manifesto Marx and Engels proclaim:

The history of all hitherto existing society is the history of class struggles.

Freeman and slave, patrician and plebian, lord and serf, guildmaster and journeyman, in a word, oppressor and oppressed, stood in constant opposition to one another, carried on an uninterrupted, now hidden, now open fight, a fight that each time ended, either in a revolutionary re-constitution of society at large, or in the common ruin of the contending classes. (MESW, p. 35)

With such polemical clarity Marx and Engels posited class struggle as the motor of history; as the fundamental contradiction that drives the dialectic of history forward. From this premise Marx and Engels then went on to sketch out the dynamic of class struggle within the bourgeois epoch. An epoch in which class antagonisms reach their starkest form:

Our epoch, the epoch of the bourgeoisie, possesses...this distinctive feature: it has simplified the class antagonisms. Society as a whole is more and more splitting up into two great hostile camps, into two classes directly facing each other: Bourgeoisie and Proletariat. (MESW, p. 36)

For Marx and Engels the bourgeoisie had made startling achievements with its rise to power:

The bourgeoisie, during its rule of scarce one hundred years, has created more massive and more colossal productive forces than have all preceding generations before. (MESW, p. 39)

What is more:

The bourgeoisie, wherever it has got the upper hand, has put an end to all feudal, patriarchal, idyllic relations. It has pitilessly tom asunder the motley feudal ties that bound man to his 'natural superiors', and has left remaining no other nexus between man and man than naked self-interest, than callous 'cash payment'.

(MESW, p. 37)

Indeed, for Marx and Engels, the:

...bourgeoisie, historically, has played a most revolutionary part. (MESW, p. 37)

Yet the bourgeoisie's incessant need to advance and revolutionize the forces of production - to expand or die - increasingly, and repeatedly, comes into conflict with the limited conditions of bourgeois private property. A conflict that periodically erupts into economic crisis:

Modem bourgeois society with its relations of production, of exchange and property, a society that has conjured up such gigantic means of production and of exchange, is like the sorcerer, who is no longer able to control the powers of the nether world whom he has called up by his spells. For many a decade past the history of industry and commerce is but the history of the revolt of modem productive forces against modem conditions of production, against the property relations that are the conditions for the existence of the bourgeoisie and its rule. It is enough to mention the commercial crises that by their periodical return put on its trial, each time more threateningly, the existence of bourgeois society. In these crises a great part not only of existing products, but previously created productive forces, are periodically destroyed. In these crises there breaks out an epidemic that, in all earlier epochs, would have seemed an absurdity - overproduction. (MESW, p. 40)

But it is not the revolt of the productive forces as such that ultimately spell the end of the bourgeoisie, but the revolutionary subject that the development of these productive forces have called into being: the revolutionary

proletariat:

The weapons with which the bourgeoisie felled feudalism to the ground are now turned against the bourgeoisie itself.

But not only has the bourgeoisie forged the weapons that bring; it has called into existence the men who are to wield these weapons - the modem working class - the proletarians. (MESW, p. 41)

Hence:

What the bourgeoisie, therefore, produces above all, is its own grave-diggers. (MESW, p. 46)

So, in this opening section of The Communist Manifesto, Marx and Engels show that the objective and subjective conditions through which bourgeois society comes into being are the very same conditions which promise its demise. Here we can see Marx and Engels sketching out the broad outlines of their thematic of 'capitalism and its overthrow'. A thematic that is explicitly articulated in terms of the dynamic of class struggle.

Yet it must be said that The Communist Manifesto is a work of propaganda. Its broad sweeping arguments are those of the partisan protagonists of the emerging communist movement which were designed to enthuse this movement with the importance of its 'historical tasks'. It was a rallying cry on the eve of the 1848 revolutions.

If we compare, what is perhaps considered Marx's most 'sober' and 'scientific' work. Capital, to this youthful work of propaganda what we find is a notable absence in the former of the dynamic of class struggle; of class subjectivity. Indeed, as Negri notes,1 we can see the class hatred within the text of Capital, we may note the occasional flurries in which Marx invokes the revolutionary potential of the proletariat and its struggle against capital, but at the heart of the analysis within Capital, class subjectivity, particularly that of the working class, is notable by is absence. Indeed, as we shall see when we come to examine this work in detail, the working class is only allowed to enter as the object of capital; as variable capital or as the commodity-object labour-power.

Is this absence simply due to Marx adopting a less partisan, and a more 'scientific' approach in Capital! Does it imply a revision of his thematic outlined in The Communist Manifesto? No, we think not.

If Marx was to go beyond sweeping proclamations of the eventual downfall of capitalism to understand how it could be overthrown, he first had to understand how it persisted. He had to show how revolutionary class subjectivity could arise out of the objective and material conditions

engendered by the capitalist mode of production. This meant that he had to uncover its inner laws of movement, the logic of capital or what we shall term the dialectic of capital. This required Marx to focus on the general problematic of political economy. Yet, as we shall see, in focusing on this problematic Marx was obliged to hold class subjectivity and class struggle in abeyance in order to uncover the objective laws of capitalist development. As a consequence he had to inscribe a provisional closure within his thematic of 'capitalism and its overthrow'.

1. **The dialectic of capital**
2. *The economy as the object of science*

The development of the capitalist mode of production is one of remorseless expansion. Its ceaseless drive to expand brings it to subordinate the entire globe. As Marx and Engels vividly describe it:

The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilisation. The cheap prices of its commodities are the heavy artillery with which it batters down all Chinese walls, with which it forces the barbarian's intensely obstinate hatred of foreigners to capitulate. It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilisation into their midst, i.e. become bourgeois themselves. In one word, it creates a world after its own image. (MESW, p. 39)

Yet this remorseless advance of the capitalist mode of production is not merely extensive but also intensive. All the complex human relations of feudal society become progressively swept away and replaced by those of the market and 'callous cash payment'. The personal relations of dependence between the lord and serf, guildmaster and journeyman and so forth become sicadly reduced to the simple impersonal and independent relations of buyer and seller. The worth of the individual is no longer in themselves but in their pocket.

As a consequence, the relations between people manifest themselves as a relation between things. People come to relate to each other only through the commodities that they come to sell or buy. Marx considers this in detail in his analysis of commodity fetishism in the opening chapter of Capital. Here he shows how the social character of labour, and the social relations it gives rise

to, becomes manifest in the quantitative relation of commodity-objects:

A commodity is...a mysterious thing, simply because in it the social character of men's labour appears to them as an objective character stamped upon the product of that labour; because the relation of the producers to the sum total of their labour is presented to them as a social relation, existing not between themselves, but between the products of their labour. This is the reason why the products of labour become commodities, social things whose qualities are at the same time perceptible and imperceptible by the senses. In the same way the light from an object is perceived by us not as the subjective excitation of our optic nerve, but as the objective form of something outside the eye itself. But, in the act of seeing, there is at all events, an actual passage of light from one thing to another, from the external object to the eye. There is a physical relation between physical things. But it is different with commodities. There, the existence of the things qua commodities and the value-relation between the products of labour which stamps them as commodities, have absolutely no connexion with their physical properties and with the material relations arising there from. There it is a definite social relation between men, that assumes, in their eyes, the fantastic form of a relation between things. In order, therefore, to find an analogy, we must have recourse to the mist-enveloped regions of the religious world. In that world the productions of the human brain appear as independent beings endowed with life, and entering into relation both with one another and the human race. So it is in the world of commodities with the products of men's hands.

(Capital I, p. 77)

This reification of social relations is, however, no mere illusion. It is a real consequence of the social relations within the capitalist mode of production. It is with such reification that the economy comes to stand over and against the subjective needs and desires of individuals as an autonomous sphere of society which then forms the basis, and indeed structures, the social 'superstructure' constituted by the realms of politics, ideology and so forth.

It is with the emergence of the economy as an autonomous social sphere, with its own objective laws and regularities, that polidcal economy as a positive and objective science becomes possible. As a complex system of relations between things - between commodities as objects - the economy presents itself as a mere mechanism.2 (Indeed, for modem economics the economy is merely a 'mechanism for the optimal allocation of scarce resources). It is with political economy and economics that the autonomous

movement of the economy becomes conscious of itself.

However, if we consider how the commodity economy arises and sustains itself through production we find that this reified world emerges out of the very process of human objectification which is at one and the same time a process of alienation. For the mass of individuals in society, the only commodity they have to sell is their own labour-power. As a consequence, they do not sell a commodity-object distinct from themselves but their very life-expression - their very own subjective activity. Their subjective will and purpose, which finds its objectification in their labouring activity, becomes subordinated to that of capital with the sale of their labour-power to the capitalist. As even bourgeois economists will admit, it is not labour that hires capital for its own purposes; it is capital that hires labour. But, what is more, the alienation of the worker's subjective activity becomes inscribed within this very productive activity itself. This becomes readily apparent within the very development of capitalist production - as Marx points out in the Grundrisse:

As long as the means of labour remains a mere means of labour in the proper sense of the term, such as it is directly, historically, adopted by capital and included in its realisation process, it undergoes a merely formal modification... But, once adopted into the production process of capital, the means of labour passes through different metamorphoses, whose culmination is the machine, or rather, an automatic system of machinery...set in motion by an automaton, a moving power that moves itself; this automaton consisting of numerous mechanical and intellectual organs, so that the workers themselves are cast as merely its conscious linkages... In no way does the machine appear as the individual worker's means of labour...to transmit the worker's activity to the object; this activity, rather, is posited in such a way that it merely transmits the machine's work, the machine's action, on to the raw material - supervises it and guards against interruptions.

Not 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, is itself the virtuoso, and with a soul of its own in the mechanical laws acting through it; and it consumes coal, oil etc. (matieres instrumentales), just as the worker consumes food, to keep up its perpetual motion. The worker’s activity, reduced to a mere abstraction of activity, is determined and regulated on all sides by the movement of the machinery, and not the opposite. The science which compels the inanimate limbs of the machinery, by their construction, to act

purposefully, as an automaton, does not exist in the worker's consciousness, but rather acts upon him through the machine as an alien power, as the power of the machine itself... The production process has ceased to be a labour process in the sense of a process dominated 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, whose unity exists not in the living workers, but rather in the living (active) machinery, which confronts his individual, insignificant doings as a mighty organism. In machinery, objectified labour confronts living labour within the labour process itself as the power which rules it; a power which, as the appropriation of living labour, is the form of capital. (Grundrisse, pp. 692-3)

For the worker then, the capitalist production process is a process of alienation. The worker finds that in selling her labour-power, her subjectivity, her own will and purpose, is objectified in an alien product and to an alien end. Her alienated and objectified labour then comes to stand over and against her in the form of capital, to which she herself stands as a mere object.

But capitalist production is not only a process of alienation for the worker; it is also a process of alienation for the capitalist, albeit in a qualitatively different way. If the capitalist is to remain a capitalist then she must act in accordance with the laws of the market. Failure to intensify the exploitation of her workers, to mechanize production and to maximize the accumulation of capital, will ultimately lead to bankcruptcy and her demise as a functioning capitalist Hence, the subjective ends and purposes of the capitalist must be in accordance with the needs of capital's accumulation. As a result, the capitalist becomes merely a personification of capital. The capitalist emerges as merely a conscious agent through which capital is set in motion. Hence, it becomes clear that it is not the capitalist that is the subject of the capitalist production process, but rather it is capital itself!

So, with the capitalist mode of production we have a fundamental ontological inversion. As a first order mediation, the subject/object of the dialectic of human praxis is the human being. Human beings, through their labour, come to objectify themselves in the external natural and social world. In transforming the world in accordance with their own subjective will and purpose they come to transform themselves as natural and social beings. As such, the dialectic of human praxis is the self-development of human beings in their relation to each other and to nature.

However, as we have seen, under capitalist relations of production the process of objectification is at one and the same time a process of alienation. As a result, human beings confront their own objectified labour as an alien

power that has its own dialectical self-development. The purpose of production is no longer so much the self-development of human beings but the accumulation of alienated labour - that is the accumulation of capital. So, as a second order of mediation, the dialectic of human labour has as its subject/object not human beings but capital!

Capital subjectivizes itself through the subordination of human ends and purposes to its own self-expansion. Like a vampire, it is dead labour preying on the living. Sucking the life blood of living labour it accumulates itself as alien dead labour. But in doing so it reproduces both the objective and subjective conditions of the worker and the capitalist necessary for its own continued existence and development. We therefore have the self­development of capital over and against the will and purposes of human beings - what we shall term the dialectic of capital - which is what underlies the apparent autonomy of the economy within bourgeois society, and with it the objective and positive science of political economy.

1. *Political economy as science*

So, with the reification of social relations and the ontological inversion of human praxis that arises out of the dialectic of capital, we find that bourgeois society becomes distinguished from all preceding societies by the emergence of the organization of the production of its material life as a distinct and autonomous sphere - the economy. As such, the economy emerges as a system governed by positive and objective laws and regularities independent of conscious human will.

Despite the vast development of human intercourse brought about by the development of capitalist production and communications, immediate human relations remain restricted to friends and family and even then bear the imprint of economic necessity. All other human connections must become mediated through the economy; they must be represented as a relation between commodities or as relations of impersonal rights and duties. With the development of the capitalist mode of production society becomes atomized into an indifferent mass of commodity-owners who only become socially connected through the dialectic of capital. The dialectic of capital therefore stands as the essence of bourgeois society - and the capitalist mode of production upon which it rests.

So what does this mean for Marx's project? How does this structure of bourgeois society condition Marx's critique of it within his thematic of 'capitalism and its overthrow'?

If Marx was to theoretically arm the emergent communist movement so that it could consciously transform reality, if he was to develop an understanding of how capitalism could be overthrown, he had to first of all

understand what capitalism is and how it perpetuates itself. He therefore had to understand the essence of capitalism in its inner coherence. He had to understand the dialectic of capital in and for itself in its intrinsic identity.

It was only on the basis of such an understanding of the objective conditions which define the terrain of class conflict within bourgeois society that Marx could raise the question of class strategy and class struggle itself. The analysis of the dialectic of capital - the objective and positive logic of capital - had therefore to be the first moment within his thematic. A moment that, as we shall see, must set out from the general problematic of political economy - that is, the analysis of the objective and positive laws of the bourgeois economy.

So how was Marx to penetrate to the essence of bourgeois society? How was he to grasp the workings of the dialectic of capital? Marx did not have to dig through a mass of empirical data from scratch, nor did he have to rely on a stroke of intuition to find this essence. On the contrary, the essence of bourgeois society is necessarily reflected in the everyday thinking and practical concerns of human individuals immersed in bourgeois society. What is more, such ideas had long since been systemized and codified by bourgeois thinkers. However, the immediate reflection of these ideas, which arose out of material and social activity of the capitalist economy, were necessarily refracted though the reified and alienated conditions of bourgeois society. They therefore made their appearance in immediate consciousness in both a fragmentary and a distorted fashion. Marx's principal task, therefore, was to critically appropriate such ideas which were already evident within bourgeois society itself.

But where was he to begin?

The two essential classes of capitalist production are the bourgeoisie and the proletariat. Both of these classes are directly involved in the capitalist production process and both directly confront the reified social relations that arise from it. Indeed, as we have already noted, for Marx, the human individuals that make up both these classes are necessarily alienated, but they experience this alienation in radically different ways. As Marx remarks in the Holy Family:

The propertied class and the class of the proletariat present the same human self-alienation. But the former class finds in this self­alienation its confirmation and its good, its own power: it has in it a semblance of human existence. The class of the proletariat feels annihilated in its self-alienation; it sees in it its own powerlessness and the reality of an inhuman existence. (Marx, 1956a, p. 51)

Insofar as she is subordinated to capital, the individual worker comes to

know capital and its economy as nothing more than an alien and hostile force to which she must either submit or rebel. Either way her relation to capital is one of denial, either of herself or of capital. She immediately sees only the negative side of capitalist economy since she only perceives capital in terms of negation and denial. Hence, although it is the labour of the proletariat as a class that creates capital and the capitalist economy, so that the proletariat is an integral and intimate part of it, the proletariat does not immediately become conscious of what capital is, but rather what it ought to be, or, indeed, what it ought not to be.

As the personification of capital, as its conscious agent and organizer, the capitalist is able to identify her own ends and purposes with those of capital and its economy. The accumulation and profitability of capital appears at one and the same time as the capitalist's own wealth and enrichment The growth in its productive power appears as the very growth of her power. Of course, the capitalist still confronts the economy as a whole as an alien system with its own immutable and objective laws. The capitalist is indeed ruled by the market - the laws of 'supply and demand' - which can never be 'bucked' for long. But the capitalist seeks to use these laws to her own advantage, just as she may use the laws of nature in the process of production. The capitalist therefore becomes immediately conscious of the positive side of the capitalist economy; she comes to know what capital positively is.

Thus, for a positive understanding of the dialectic of capital it is not to the proletariat that Marx must look, but to the bourgeoisie. In addressing the problematic of the positive laws of the capitalist economy - that is, the general problematic of political economy - Marx has to take up, albeit critically, the perspective of the bourgeoisie. Indeed, as we shall see, it is this critical perspective of the bourgeoisie - which reduces the working class to mere object of exploitation - that informs and delimits Marx's critique of political economy and serves to inscribe the provisional closure that we find in the three volumes of Capital.

So, to understand the essence of capitalist society Marx had to address the problematic of political economy - the bourgeois science par excellence. But in doing so Marx could not, as bourgeois political economy did, take the laws of the bourgeois economy as given. He had to show that they were not natural or immutable but were the historical creation of human beings; that the laws of capitalism were historically contingent He, therefore, had to address the problematic of political economy critically; it had to be a critique of political economy. For the critical method with which to approach political economy he needed to look no further than the critical philosophy of Hegel.

As we saw in the previous chapter, the importance of Hegel to Marx was that he grasped bourgeois society as a self-developing totality. Indeed, Hegel, as the pinnacle of bourgeois idealism, had developed the active and subjective

side of the understanding of bourgeois society; he saw it as a process of self- realization and self-creation. Unlike the political economists, he did not take the bourgeois economy as an empirically given fact but rather critically examined its presuppositions. As a result he saw the positive economic laws as merely a means through which the abstract will of the individual, initially immersed in the immediacy of the family, came to realize itself as a particular expression of God and the state. The economic laws, for Hegel, were therefore clearly seen as the creation of human subjects.

To this extent Hegel can himself be said to take a critical bourgeois perspective; although a very exclusive one in that Hegel is only concerned with the individual members of the bourgeoisie (the proletarian rabble is allowed only a haunting existence within the perspective of Hegel). Hegel seeks to show how, through the very competitive battle of the marketplace, each bourgeois individual is able to reconcile herself as a constituent part of the totality of bourgeois society and thereby gain a 'semblance of a human existence1.

Of course, Hegel, by making the process of alienation a mere matter of attitude, a mere semblance of alienation, he was able to make this semblance of human existence a real human existence. As a consequence he was unable to recognize the real ontological inversion which makes capital the subject/object of bourgeois society and subordinates the social realization of human individuals to its own ends and purposes. He was therefore unable to see that the economy was not a mere means whose positivity was annulled, but rather that it was human subjectivity and will that was the means; that the will of the state and the individual were merely external moments to the dialectical movement of capital. To this extent Hegel's critical perspective ceases to be critical, it becomes a mere apology for bourgeois society that, having dissolved the positivity of the economic, reaffirms it

Nevertheless, Hegel's critical and dialectical philosophy did provide Marx with the method with which to make his critique of political economy. For Hegel, the totality of bourgeois society was constituted out of the dialectical movement of its three moments, which itself mirrored the development of human consciousness:

Abstract Will

> Civil Society {The Economy)

>

State

Subject

Object

Absolute

Self-Consciousness >

Nature

> Reason

**Figure 5.1: The perspective of Hegel**

Of course, from this illustration we can see the ontological conflation inherent within Hegel's idealist dialectic that makes bourgeoisie society absolute. But we can also see that for Hegel the individual subject and the state are intricately connected with civil society and the economy; they are the constituent and interpenetrating moments of the totality of bourgeoisie society. In contrast, the problematic of political economy abstracts civil society and the economy from this totality and takes the state and the individual subject as given presuppositions. By rigidly demarcating the economy as the object of its analysis, political economy is then able to proceed as a positive and objective science. We have:

The Economy/ Civil Society

Object/ Objective Laws

Nature

**Figure 5.2: The perspective of political economy**

For political economy then, the subject is excluded from the object of analysis. The state and the individual lie outside its domain.

Of course this did not mean that political economists did not concern themselves with the individual or the state. Indeed, classical political

economists, such as Adam Smith, were very much concerned with the role of the state and government policy, and as natural philosophers did not entirely dismiss the plight of the individual in bourgeois society.3 However, while they concerned themselves with how far the individual and the state could intervene or supplement the positive mechanisms of the economic system for their own normative ends, political economists did not consider how the state and individual were implicated in these very mechanisms. The individual and the state as subjects were rigidly separated from the economic system as object.

Hence, in Smith, for example, the state is given the minimal role of providing those services, such as law and order, defence and education, essential to the functioning of society but which the market mechanism is unable to provide efficiendy. The state is thereby seen as a neutral agent that should only intervene in those exceptional circumstances where the 'market fails' to provide for the 'common good'. There is no question of determining how the state arises out of the social relations of capitalist production, nor how the economy presupposes and is presupposed by the state-form. Such questions are precluded from the very problematic of political economy which presents the economy/market and the state as a rigid dichotomy.

So, with the problematic of political economy - political economy as a positive and objective science - the political economists closed off the economy as object and radically opposed it to the state and the individual as subject. In adopting the problematic of political economy Marx was also obliged to inscribe such a closure, but Marx's closure is only a provisional closure. By critically examining the presuppositions of political economy Marx is able to abstract the capitalist economy as an objective and positive system without severing its links to the subjective. Thus, as we shall see, while in Capital he is concerned with revealing the inner laws of the capitalist mode of production, Marx makes it clear that such laws are only such insofar as they reflect the reification of social relations. For Marx, unlike the political economists, the subjective is implicated in the objective laws of the economy; it cannot be rigidly excluded.

Yet nevertheless, while political economy sought hold the subjective at bay it returned to haunt them. This first became evident in the limitations of the capitalist economic system as a self-regulating mechanism. A point perpetually raised by the theoretical critics of political economy and perennially pressed home in practice through economic crisis.

For the political economists, the capitalist economy, like Isaac Newton's

universe, worked like clockwork; it was both efficient and self-regulating. But also like Newton, who feared that tiny imperceptible disturbances in the smooth movement of the planets would, without divine intervention, bring them crashing into the sun, the political economists often found themselves haunted by the ultimate limits of bourgeois production and thus of 'civilization as they knew it'. While current economic crises could be dismissed as being due to accidental causes or to unwise tampering with the economic mechanism on the part of governments, classical political economy was haunted by the fear of the falling rate of profit and the eventual stagnation and demise of bourgeois society in the, albeit distant, future.4

The critics of the classical political economists, however, such as Sismondi, were not slow to point out the real contradictions of the capitalist economy. How it was not a smoothly self-regulating mechanism, but a system which repeatedly had to be forcibly recomposed through violent economic, and often political, crises. Against the coherence of the dialectic of capital such critics stressed its incoherence. Indeed, for Marx these critics brought out how the dialectic of capital developed as unity of opposition; a unity that was never guaranteed and one that was prone to contradiction and even rupture.

However, it was insufficient for Marx to merely counterpose the impossibility of capitalism to its possibility as the early critics of political economy did. For him it was necessary to understand the dialectic of capital in its coherence; he had to realize political economy in order to suppress it. Thus in Capital we find Marx emphasizing the unity and possibility of the capitalist mode of production - the conditions of its persistence - in the light of the classical political economy of Smith and Ricardo. While Sismondi's criticisms of classical political economy were valued by Marx, and indeed often provided a starting point for his investigation into a critique of political economy, they are not considered in any detail in Capital. Indeed, in his Theories of Surplus-Value, Marx quite explicitly defers his consideration of Sismondi to a later work on competition, which he repeatedly promised, but which never actually came to write:

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) which I can only tackle after I have finished this book. (TSV III, p. S3)

This deferral of Sismondi goes hand in hand with the deferral of the question of capitalist crises, which as we shall argue is always tangential to the principal line of theoretical development of Marx's presentation in Capital, and which, as a consequence, is always marginal to its text. Here we have the second part of the two-fold provisional closure inscribed in Marx's

broader thematic by the problematic of political economy. But this is not all, as we shall now see in the second section of this chapter.

1. **The counter-dialectic of class struggle**

For Marx, classical political economy reached its scientific heights with Ricardo. With Ricardo political economy could go no further within the bourgeois perspective without revealing the historical and social limitations of the capitalist mode of production. With the death of Ricardo political economy entered into its long decline that led to the vulgar economics of Marx's contemporaries and finally to the neoclassical economics that still holds sway as the orthodoxy to this day.

Yet this degeneration of classical political economy into vulgar economics was, for Marx, no accident. In the early nineteenth century the bourgeoisie had been seeking through political economy to become conscious of its own economic power against the continued supremacy of the old landed classes. Armed with political economy, the bourgeoisie could declare that it was the productive propertied class; the propertied class that provide the wealth of nation, in contrast to those classes, such as the landed aristocracy, which did no more than fritter this wealth away.

By the mid-nineteenth century, however, the bourgeoisie had to turn and face the emergence of the political and economic power of what was to become its greatest adversary - the working class. The class that could claim that it was the productive class, and what is more the dispossessed class, that threatened to sweep away all property. In response to this threat from the working class the bourgeoisie abandoned the science of political economy in favour of the ideological conceptions of vulgar economics, which sought dissolve all the class antagonisms of capitalist society into the free and equal interaction of buyers and sellers on the market. Whereas political economy had sought to penetrate below the surface of the bourgeois economy as a market economy to expose the basis of its class relations, vulgar economy merely remains on the surface; it knows nothing of class except as a mentally constructed aggregation of individuals.

However, the degeneration of classical political economy was not simply an ideological response to the emergence of the working class as subject. It was also an attempt, albeit a highly ideological attempt, to come to grips with an economic reality that was being materially transformed by the emergence of this new proletarian class subjectivity. With the emergence of neoclassical economics in the 1870s, which heralded the culmination of vulgar economics, came the implicit recognition of the class subjectivity of the working class. This becomes most evident with respect to the question of the wage.

For Ricardo, and classical political economy in general, the working class was nothing but a naturally given object. As a consequence, the price of labour, the wage, was seen as being determined by little more than the biological subsistence required to sustain the working class. In contrast, within the marginalism of the neoclassical economists, the wage is seen to be determined not by the biological level of human subsistence of the worker as a natural object, but by both the marginal product and the marginal disutility of the worker's labour. With the wage, the worker is offered 'her share' while the worker offers her labour according to her subjective preference between consumption and leisure.

Neoclassical economics thereby sought to accommodate the growing class subjectivity of the working class, but only insofar as the working class agreed to dissolve itself as a class and entered as atomized 'rational economic agents'. The proletarian rabble could now be admitted as kings for the day', 'sovereign consumers' - even as citizens with the right to vote - but, of course, only outside work time. There, during work time, the tyranny of capital had to be maintained.

We do not propose to consider the implications of neoclassical economics any further here. What is important for us is that, insofar as neoclassical economics had to admit the subjectivity of the emergent working class, it exposes the limits of classical political economy. But these limits of classical political economy are none other than the delimitations of its object - the dialectic of capital.

The dialectic of capital can only function insofar as it can impose itself as a second order mediation of human praxis; that is, only insofar as it can subordinate human labour to its own ends and purposes and thereby impose the ontological inversion whereby capital becomes the object/subject. But there is no guarantee of this subordination. Capital can never be certain of imposing its logic on human society. It must always and repeatedly confront the potential class subjectivity of the working class.

As we shall see in more detail when we come to consider the first volume of Capital, in order to accumulate, capital must appropriate living labour - the objectification of the worker in production - to itself as capital. That is, labour-power must be reduced to variable capital. But this presupposes the worker as both a free subject and as non-capital. Unlike the slave or the serf, the worker must be posited as a free individual - free to enter the market to sell her labour-power to anyone she pleases, and free to spend her wages on anything she may fancy. So, if capital is to treat the worker as object - as means to its own ends - it must first, and repeatedly, posit labour as subject and as such its own, potentially antagonistic, opposite.

The subjectivity of the worker therefore repeatedly stands opposed to that of capital and must be repeatedly subsumed to capital within the process of

production. Yet this subsumption not inevitable; the contradiction between capital and labour is not necessarily resolved within a closed dialectic of capital. The workers may resist and seek to impose their own will and purpose on production over and against that of capital. The dialectic of capital must be taken as radically open.

The more the workers combine to oppose the dictates of capital the more the capitalists, as the conscious guardians and protectors of capital, must act as a class. Here then we have the counter-dialectic of class struggle. The struggle between labour and capital becomes the more or less open struggle between the working class and the bourgeoisie.

This counter-dialectic of class struggle comes to delimit the functioning of the dialectic of capital. The workers through their everyday struggles impose limits on the operation of capital. As the representatives of capital, the bourgeoisie are obliged to make concessions to the working class; hence the limits to the working day, health and safety standards, welfare provisions, environmental protection and so forth. It is only within the matrix of these class compromises that the dialectic of capital is able to unfold.

But these compromises are only ever provisional. They may always be broken up and extended or taken back. They are merely moments of consolidation in the continued flux of class struggle whose objective basis lies in the development of the dialectic of capital. Just as the dialectic of class struggle provides the matrix for the functioning of the dialectic of capital, so the dialectic of capital in tum provides the matrix for the unfolding of the dialectic of class struggle. It is the interaction of these two moments that provide the dynamic of the development of capitalism.

The pivot between these two moments is crisis. Even if the consolidation of class struggle into a viable class compromise allows the delimited movement of the dialectic of capital to operate so that the economy emerges as an objective system, the dialectic of capital will still be prone to rupture and crisis which may drive it to break up the class compromise upon which it previously operated. The intensification and opening up of class struggle may then serve to create rupture and crisis in the dialectic of capital. The contradictory unity of capital and labour, of the bourgeoisie and the proletariat, is only ever provisional; it is always prone to rupture and crisis.

With crisis the capitalist mode of production is driven forward towards its own dissolution. For Marx, the objective economic crises grow more intense as capital accumulates on an ever greater scale, while the potential power of the working class grows with the increasing concentration of capital which brings more and more of the working class together and opposed to capital.

With this we have come to sketch out the entire Marxian thematic of 'capitalism and its overthrow'. But, as we have pointed out, Marx had to first

consider what capitalism is; he had to begin with an understanding of the dialectic of capital as such, in its intrinsic identity. Classical political economy, which viewed capitalism before the full development of the class subjectivity of the working class, provided the point of departure for this understanding. Marx, with his critique of political economy, sought to push classical political economy beyond itself to expose its own weaknesses and to prepare the way for an understanding of the objective preconditions of the class struggle.5

But in adopting the problematic of political economy, by abstracting the economic as an objective system with 'iron laws', the counter-dialectic of class struggle and the class subjectivity of the proletariat had to be closed off; they sank below the horizon of his immediate analysis, albeit provisionally. As a consequence, we find the objectified categories of Capital which has lent itself to deterministic and objectivist readings of the 'mature' Marx.

But the inner theoretical imperative of Marx's critique of political economy points beyond such provisional closure. As Marx indicates in the following passage in the Grundrisse:

As the system of bourgeois economy has developed for us only by degrees, so too has its negation, which is its ultimate result. We are still concerned now with the direct production process. When we consider the 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 fixed form, such as the product etc., appears as a moment, a vanishing moment, in this movement The direct production process itself here appears 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 anew. The constant process of their own movement in which they renew themselves even as they renew the world of wealth they create. (Grundrisse, p. 712)

So, we can see that in adopting the problematic of political economy, Marx comes to inscribe a provisional closure within his broader thematic of 'capitalism and its overthrow'. Before he can adopt the critical perspective of the proletariat to posit the negation of capital he must first take up the critical perspective of the bourgeoisie. The question that we must answer is: how does Marx's critique of political economy, which becomes presented in Capital, come to impose this provisional closure and. as a consequence, how docs this critique point beyond itself?

We shall begin to address this vital question in chapter 7, but before we consider how Marx made this provisional closure within his critique of political economy in detail, we must briefly return, in the following chapter, to consider once more the intellectual and historical context in which this closure was actually made and sustained.

Notes

1. See Negri (1991)
2. The importance of commodity fetishism and the reification of social relations as the basis of Marx's methodology as a critique has been examined in depth in Rubin (1972) and in Sayer (1983).
3. The early political economists, such as Adam Smith, saw themselves first and foremost as 'practical philosophers'. As such they were obliged to give some consideration to the human condition as a whole, even if this was from the perspective of political economy. This becomes clear if we examine Smith's most famous work - The Wealth of Nations - with his earlier and lesser known philosophical works such as The Theory of Moral Sentiments (Smith, 1976). Indeed, as Andrew Skinner has observed in his introduction to The Wealth of Nations: '..Smith's initial fame was (social) philosophy, rather than economics, and...he himself regarded The Moral Sentiments and The Wealth of Nations as but parts of a single, greater whole; as the parts of a grand synthetic system which he hoped to complete...' (Smith, 1970, p. 13) However, this broader philosophical perspective is far less evident in Ricardo, by which time political economy had established itself as a distinct discipline.
4. For an examination of how classical Newtonian physics came to reflect the bourgeoisies predicament of the eighteenth century, see Cleaver (1980).
5. For a broad theoretical and historical analysis of how class struggle has impacted on the workings of the dialectic of capital see Negri (1988).

**6 The context of closure**

**Introduction**

Shortly after the publication of the first volume of Capital Marx wrote a letter to Engels outlining the principal arguments that were to follow in the subsequent two volumes. At the end of this outline Marx writes:

At last we have arrived at the forms of manifestation which serve as the starting point in the vulgar conception: rent, coming from land; profit (interest), from capital; wages from labour. But from our standpoint things now look different The apparent movement is explained. Furthermore, A. Smith's nonsense which has become the main pillar of all political economy hitherto, the contention that the price of the economy consists of those three revenues, i.e. only of variable capital (wages) and surplus value (rent, profit (interest)), is overthrown. The entire movement in this apparent form. Finally, since those 3 items (wages, rent, profit (interest)) constitute the sources of income of the 3 classes of landowners, capitalists and wage labourers, we have the class struggle, as the conclusion in which the movement and disintegration of the whole shit resolves itself. (MECW Vol.43, p. 43)

Here we can see, explicitly, how Marx intended that the critique of political economy contained in all three volumes of Capital would necessarily lead to the question of class struggle. With a thorough critique of political economy Marx hoped to establish a secure foundation for his theory of class conflict. But why did he stop short at his three volumes of Capitals Why did he not make this great reversal within his thematic from the positive to the negative side of bourgeois society, from a theory of the dialectic of capital to its counter-dialectic of class struggle; from the critical standpoint of the

bourgeoisie to the critical standpoint of the proletariat?

Undoubtedly, the political conditions of the early workers movement in which Marx found himself led him to concentrate his efforts on understanding the existing positive and objective conditions of bourgeois society. The voluntarism of his socialist rivals who sought by sheer will alone to overcome the weakness of the small socialist and workers movement of that lime forced Marx to stress the need for a 'scientific' and objective basis for socialist theory and practice. Yet such conditions of the early socialist movement were themselves merely the expressions of the wider historical context in which Marx lived and wrote. A context that placed limits on the development of Marx's thematic and eventually obliged him to foreclose his theoretical project.

**The historical context**

Marx's lifetime spanned the period in which capitalism reached maturity. It was during his life that the capitalist mode of production came to dominate the three principal powers of western Europe: Britain, France and Germany, and gave these powers the enormous productive potential to sustain the subjection of vast areas of the globe through trade and conquest. In 1818 only England had any degree of industrialization; Germany and France still remained predominantly agrarian with industry still confined to traditional craft production. By 1884 the era of railways and steam-powered mechanization had dawned throughout most of Europe. Marx's native Germany had become transformed into a major industrial power that could challenge the industrial supremacy of Britain. During this same period industrial capitalism had taken root in the USA with all its extensive resources, transforming it from a refuge, where the surplus populations of Europe fled to scratch out a meagre living from the plentiful land, to a rapidly industrializing nation that, like Germany, was swiftly catching up with Britain's industrial lead.1

With the great industrial revolutions of the nineteenth century, whose origins and development Marx closely studied, capitalism reorganized production on its own basis. With the rise of industrial capitalism, capitalism became self-sustaining; and with its expansion the capitalist mode of production completed its dominance over ever greater areas of the world. From the industrial development of England in the late eighteenth and early nineteenth centuries the fundamental laws of full blooded industrial capitalism could be discerned. By the 1870s they had been repeatedly confirmed by the subsequent developments throughout Western Europe and the USA. Hence the historical period through which Marx lived gave him a clear view of the

fundamental economic laws and tendencies of the capitalist system. However, at the same time, this historical period can be seen to place strict limits on Marx's political perceptions of bourgeois society.

In pre-capitalist societies the social relations of production were intricately overlaid by personal, political and often religious factors. The political and the economic were inseparable. As commodity exchange and production began to infuse throughout late feudal society, creating the conditions for the emergence of capitalism, the social relations between people increasingly took the form of objective and quantifiable economic relations embodied in things - money and commodities. Consequently the economy began to emerge as a distinct autonomous sphere of human affairs which appeared in the shape of a complex of objective laws. It was this that allowed the classical political economists to apply an objective scientific analysis to the economy as a distinct social sphere; and it was this that allowed Marx to push classical political economy beyond itself to reveal these objective laws of the bourgeois economy as being founded on specific historical social relations which impose a real inversion of human praxis.2 But this separation of the economic as a distinct social sphere had further implications.

As the dominant class within the capitalist mode of production, the bourgeoisie derived its power first and foremost from the realm of the economic. The bourgeoisie could only remain as such insofar as they personified and enacted the objective laws of the capitalist mode of production. After all, the bourgeois individual did not owe her social position to birth or education, but to her role in the process of economic production and exchange. Yet because of this, once the emergent bourgeoise had established the economic sphere as a distinct social sphere free from traditional political and religious impediments, the capitalist class could remain content with its position of economic dominance without attempting to establish itself politically.

But what is more, it was not only that by deriving its social power from the distinct sphere of the economic that the bourgeoisie lacked the immediate necessity of organizing itself as the dominant political class, it was also that the very nature of this economic sphere hindered the political assertion of the bourgeoisie as a class. Central to the economic sphere was competition which threw each bourgeois individual into a confrontation with the rest of her class. In this 'war of all against all' coalitions and alliances may arise but only against other coalitions and alliances and only on the basis of limited, and often temporary, common interests. Hence the emergent bourgeosie's attempts to organize itself as coherent political force were repeatedly undermined and retarded by the very nature of its economic power. Yet if the bourgeoisie was to overcome the feudal fetters to its progress and secure its dominance in society at large, particularly against the emergence of its

greatest adversary - the proletariat - it had to take political power, it had to organize the whole of society in its own interests through the use of state power.

Thus the history of the emergence of bourgeois society is the history of the contradiction between the economic and the political power of the rising bourgeoisie. On the one hand the tremendous development of the productive forces that the bourgeoisie had itself unleashed had endowed it with enormous economic powers which demanded commensurate political power; yet, on the other hand, the division between the political and the economic, and the very process of economic advance, undermined and retarded the ability of the bourgeoisie to organize itself as class capable of realizing its potential political power. This contradiction meant that the struggle by the bourgeoisie to take over the state apparatus, and thereby establish its political power, was often a long drawn out process - and this was perhaps nowhere more so than in Marx's native Germany. Thus, while the capitalist mode of production had come to dominate much of Europe and North America during Marx's lifetime, the political struggle of the bourgeoisie for dominance over the remnants of the old feudal order in Europe still persisted at his death.

The development of the proletariat as a class with nothing to a sell but its labour-power, stripped of all means of production, depended on the development of industrial capitalism. With industrial capital production was fully reorganized along capitalist lines, large scale production and mechanization decimated rural and artisan labour and produced the fully urbanized modem proletariat. This process of proletarianization developed rapidly during Marx's lifetime but despite the dominance of industrial capital in Western Europe and North America, only in England and did industrial capital reach the point of subsuming the vast majority of the working population as urban proletarians.3 Elsewhere earlier forms of production still persisted to employ significant sections of the working population. The immediate class action of the emergent proletariat had been to contest the crushing economic power of the industrial bourgeoisie. When the proletariat did find itself acting politically, as in the Chartist movement in England and in the 1848 revolutions that swept continental Europe, it did so in terms of the continuing struggle of the bourgeoisie to impose its political power over the existing forms of the state.

The immediate political tasks which Marx had recognized as facing the proletariat at this time had been to force through the bourgeois political reforms that the bourgeoisie was itself unable to achieve. In his analyses of the 1848 revolutions, such as that contained in The Eighteenth Brumaire and Class Struggles in France, Marx recognized the proletariat as merely one of many social and political forces acting out the political drama. The demands that conclude The Communist Manifesto, such as progressive income tax.

free education, nationalization of land and transport, the abolition of inheritance and universal adult suffrage, go little beyond the most radical demands of the most progressive bourgeois parties and fall far short of a communist society.

Marx was well aware of the weakness of the proletariat of his time and the complicated political conditions that it found itself in. Yet, for all this, he was convinced that the economic development of capitalism, the expansion of industrial capitalism along with its inherent periodical crises, would serve to strengthen the proletariat and eventually throw it into open conflict, both economically and politically, with the bourgeoisie.

Yet Marx could only delineate the emerging outlines of this conflict. It was a conflict that only became clearly defined towards the end of Marx's life. It was only with the emergence of the first mass workers' party, with the the rise of the German Social Democratic Workers' Party, and with the establishment of the first mass trade unionism in the emergence of the 'New Unionism' in Britain, which occurred in the 1880s, that the proletariat could be said to have emerged fully as a class directly opposed, both economically and politically, to the bourgeoisie. It was only then that the central political division of bourgeois society presented itself in all its clarity as the class struggle between the bourgeoisie and the proletariat. Marx died before the mature class struggles of bourgeois society could unfold.

Marx could not know how the great representative organs of the working class, which were only just emerging at his death, would become obstacles to the revolutionary aspirations of the working class only a few decades latter.4 Nor could he foresee the effects of the affluence, which was to be won through such organizations, on the formation of proletarian consciousness. Stalinism, the bureaucratization of the labour movement, fascism and the so- called consumer society were all, for the most part, phenomena of the twentieth century; nineteenth century bound Marx could not be expected to have fully comprehended them. This does not mean that Marx has nothing to say to us about such matters; the tendencies that were to lead to such outcomes were already at work during Marx's lifetime but the embryonic state of such tendencies restricted his analysis of them and could therefore remain only implicit within his theory.3

At the risk of running ahead of ourselves we shall illustrate this and make its implications a little clearer by briefly considering the controversy surrounding the question of the 'immiseration of the proletariat'. This controversy, perhaps more than any other surrounding Marx and Marxism, has raised the problem of the historical specificity of Marx and hence the applicability of his theory to modem conditions. It is therefore a useful controversy with which to illustrate the limitations placed on the development of Marx's theoretical project by his historical context

Ever since Bernstein's attack on Marxist orthodoxy at the turn of the century, bourgeois and revisionist commentators have never tired of pointing out the contrast between Marx's 'prediction' of the increasing immiseration of the proletariat and the abundant evidence of a strong secular rise in working class living standards since the publication of Capital.6 On the basis of this empirical refutation' it has then been concluded that Marx's economic and social theories are either wrong or, at best, restricted in validity to the era of laissez-faire capitalism of mid-nineteenth century England. Against such conclusions Marxists have argued that this 'prediction' of an 'absolute immiseration' of the proletariat has been based on a superficial reading of Marx's theory.

For Marx wages would tend towards the value of labour-power; that is the value measured in labour time of the basket of commodities required for the social reproduction of the worker's capacity to work. Of course the increase in the social productivity of labour that accompanies the development of capitalist production will tend to reduce the labour time required to produce this basket of commodities and therefore reduce the value of labour-power even though the real wage remains the same. It is on this inherent tendency for the value of labour-power to fall, rather than on real wages, that Marx's thesis of an immiseration of the proletariat rests.

For Marx the social well-being of the proletariat does not depend primarily on the quantity of use-values it appropriates as wage goods, although of course this is important, but on the degree of its alienation. As labour-power becomes devalued with the advance of the social productivity of labour the working class becomes excluded from its very powers of creation to an ever greater degree. It is with this poverty of exclusion that the proletariat becomes immiserated rather than with any decline in its ability to consume following a decline in the level of real wages.7 It is in such qualitative terms of the poverty of exclusion that we can say Marx's saw the absolute immiseration of the proletariat, rather than in the quantitative terms of a declining living standards as is usually assumed.

It is true, however, that Marx does connect a fall in the value of labour- power with a fall in real wages, and thus a decline in working class living standards, which has lent credence to bourgeois and revisionist readings of Marx's immiseration thesis. For Marx the basket of commodities required for the social reproduction of the worker, and hence the value of labour-power at any point in time, was not determined simply in terms of some physiological minimum - as was the natural wage of classical political economy - but was also defined in terms of cultural and customary standards that were historically determined.

Thus this basket of commodities, since it is not a natural minimum, can be diminished. Hence not only can the value of labour-power fall over time but the real wage, to which it corresponds, may also fall. In fact Marx is keen to show how the capitalist will seek to push wages below the value of labour- power and in doing so tend to undermine customary levels of wages and thus the value of labour-power itself. Thus to a limited extent the value of labour- power could fall faster than the rise in the social productivity of labour would warrant thereby producing a 'long term' decline in real wages.

Yet Marx's theory of the determination of the value of labour-power not only suggests the possibility of a declining real wage in the 'long term' but also opens up the possibility of rising real wages.

Firstly, the very historical development of capitalism itself may serve to offset the decline in the value of labour-power and raise the long term' level of real wages. For instance, with the geographical concentration of capitalist production capital may require a more mobile workforce that can travel greater distances to or from work; or, as another example, the growing sophistication of certain production processes may demand a more educated workforce; either way the costs of reproducing the workers' capacity to work will tend to rise thereby increasing the value of labour-power and with it the 'long term' levels of real wages needed to cover these extra costs of reproduction.

Secondly, and perhaps more importantly, the historical development of capitalism brings with it a strengthening of the working class, both in numbers and in organization. Beyond a certain point it becomes possible for the working class, at favourable moments, not only to resist the capitalist's attempts to depress wages below the value of labour-power, but to push wages above the value of labour-power. To the degree that the working class can sustain such high wages in real terms they may eventually become incorporated into the value of labour-power in the form of a customary element in future years.

As we shall see when we come to examine Marx's theory of the wage in Capital, the very logic of Marx's theoretical line of development demanded that he, at least provisionally, emphasize the power of the capitalist to depress wages. It Ls this that has allowed Marx's critics to conflate a decline in the value of labour-power with a decline in the level of real wages and thus conclude that Marx's thesis of the immiseration of the proletariat is at variance with the empirical evidence of rising real wages. Yet the failure to go beyond this to examine the possibility of rising real wages can be seen to owe not a little to the historical context in which Marx was writing and which inhibited the development of Marx's theory at this point

When Marx came to defend workers' combinations and the strike weapon against the criticisms of the Proudhonian socialists, the weakness of the

proletariat at that time meant that he was obliged to concede that strike action could not actually raise wages for long. Instead he argued that strikes could at least prevent wages from being lowered. Thus in his polemic against Weston contained in Wages, Prices and Profit Marx writes:

...in 99 cases out of 100 their [ the workers'] efforts at raising wages are only efforts at maintaining the given value of labour [power]... (MESW, p. 446)

and so the:

...general tendency of capitalistic production is not to raise, but to sink the average standard of wages... (MESW, p. 446)

Yet in reaching this conclusion Marx had argued only a few pages earlier that the value of labour-power is determined ultimately through the process of class struggle over the wage:

...the capitalist tending to reduce wages to their physical minimum, and to extend the working day to its physical maximum, while the workingman constantly presses in the opposite direction. The matter resolves itself into a question of the respective powers of the combatants. (MESW, p. 443)

The empirically apparent answer to the question of the 'respective powers of the combatants' was for Marx the overwhelming strength of the capitalist, but such an answer is clearly historically contingent. Implicit within Marx's theory is the possibility of the proletariat becoming strong enough to actually raise wages. Such a possibility was perhaps too remote and speculative for Marx's polemic of 1865, at such an early stage in the development of the workers' movement, but it was one that was to become increasingly significant as the workers' movement grew in strength. Marx could stress the necessity for combinations and strike action and sketch their development into trade union organization but the historical context within which he wrote inhibited the elaboration of the question of class struggle at this point

**The intellectual dimate and political perspectives**

So we have seen how the disjunction between the political and economic development of bourgeois society allowed Marx to grasp the appearance of the bourgeois economy as a set of objective laws through his critique of

classical political economy, but at the same time this disjunction inhibited his elaboration of the question of class struggle and politics. The historical context within which Marx lived and wrote, therefore, restricted his ability to make the great reversal within his broad thematic, from the dialectic of capital to the counter-dialectic of class struggle, and consequently contributed to the closure within Marx's theoretical project at this point. The question that now arises is how Marx, in the course of his intellectual development, came to confront these historical limitations and how this confrontation came to shape the closure within his theoretical project which becomes apparent with Capital. Once we have dealt with this question it will then be possible to begin to examine the closure within Marx's project itself.

1. *Critical utopianism versus critical positivism*

As we saw in chapter 2, both Marx and Engels in the 1840s, with all their youthful exuberance, took a highly optimistic view of the approaching fall of capitalism and the consequent triumph of communism. There is perhaps little doubt that for the founders of historical materialism the growing social conflicts of their time would soon sweep away capitalism, and, what is more, that it would be their native Germany which, although being relatively backward in its capitalistic development, would be at the forefront of the proletarian revolution. For Marx and Engels revolution was on the cards.

Of course Marx and Engels must have recognized that the relative backwardness of capitalism meant that the proletariat as well as the. bourgeoisie were relatively weak, but they could argue that once the imminent bourgeois revolution finally broke the fetters of the old feudal order then the resulting rapid development of German capitalism would swell the ranks of the proletariat and prepare the way for the proletarian revolution. The proletariat fresh from the revolutionary experience of the bourgeois revolution, in which it would have to play a leading role due to the weakness of the German bourgeoisie, would have little difficulty in overturning bourgeois society. It would be more than a match for the German bourgeoisie which was crippled by its competition with, and dependence on, its English counterparts.

The prospect that communism would be established in their lifetime led Marx and Engels to what we may perhaps term an attitude of 'critical utopianism'. They sought to grasp in their writings 'what is coming to be’. The works of Marx at this time tended to take the form of polemics; either against the Young Hegelians, as in The German Ideology and The Holy Family, or against rival socialists, as in The Poverty of Philosophy and The Communist Manifesto. They took the broad sweep of historical materialism and its view of history, drawing out what Marx saw as the predominant

tendencies to use as weapons within these polemics. There was little room for details, or for counter-tendencies that presently existed; the overriding question was not what things are but what they would be compelled to become!

This attitude of 'critical utopianism' was a necessary starting point for the development of historical materialism. It went beyond utopian socialism, which merely posed the alternative possibility of a communist or socialist world, by insisting that communism would have to emerge out of the material conditions of existing society; at the same time it avoided the trap of reformism. It was an attitude that allowed both Marx and Engels to open up the broad sweep of their newly established thematic.

Yet such an attitude soon ran up against the historical limitations of their time. The 1848 revolutions that swept continental Europe ended in the triumph of reaction. In Germany the bourgeoisie proved far too weak and inept to make much progress while the proletariat and the petit-bourgeoisie failed to carry through the bourgeois revolution on their behalf as Marx had hoped. The illusion of Germany as the weak link in autocratic Europe was dispelled.

At the same time the events in France, the starting point and the heart of the social and political crises that erupted in 1848, proved equally disappointing for Marx and Engels. In The Eighteenth Brumaire Marx relates how the opposed factions of the bourgeoisie ended up hiding behind the monarchical vestiges of the old feudal order in the face of the insurrectional Parisian proletariat and how the dead weight of the peasant masses eventually ensured the victory of reaction.

The disillusionment that followed the defeat of the 1848 revolution, combined with the long years of reaction and exile awaiting the economic crises that would once again herald the onset of a fresh revolutionary wave to convulse Europe, produced a profound shift in the attitude held by both Marx and Engels. This shift in attitude is perhaps best illustrated by Engels in his introduction to Class Struggles in France which he wrote in 1895. Looking back on his and Marx's attitude at the time of the 1848 revolutions Engels explains:

When the February Revolution broke out, all of us, as far our conceptions of the conditions and the course of revolutionary movements were concerned, were under the spell of previous historical experience, particularly that of France. It was, indeed the latter which had dominated the whole European history since 1789, and from which now once again the signal had gone forth for general revolutionary change...when thereupon in Paris, in June, the first great battle for power between the proletariat and the

bourgeoisie was fought; when the very victory of its class so shook the bourgeoisie of all countries that it fled back into the arms of the monarchical-feudal reaction which had just been overthrown - there could be no doubt for us, under the circumstances then obtaining, that the great decisive combat had commenced, that it would have to be fought out in a single, long and vicissitudinous period of revolution, but that it could only end in the final victory of the proletariat.

But history has shown us...to have been wrong, has revealed our point of view of that time to have been an illusion.

(MESW, p. 644)

From this conclusion Engels goes onto to argue:

History has proved us, and all who thought like us, wrong. It has made clear that the state of economic development on the Continent at that time was not, by a long way, ripe for the elimination of capitalist production...industrial revolution which has everywhere produced clarity in class relations...has created a genuine bourgeoisie and a genuine large-scale industrial proletariat and has pushed them into the foreground of social development. However, owing to this, the struggle between these two great classes, as a struggle which, apart from England, existed in 1848 only in Paris and, at the most in a few big industrial centres, has spread over the whole of Europe and reached an intensity still inconceivable in 1848...today one great International army of socialists, marching irresistibly on and growing daily in number, organisation, discipline, insight and certainty of victory. If this mighty army of the proletariat has still not reached its goal, if, far from winning victory by one mighty stroke, it has slowly to press forward from position to position in a hard tenacious struggle, this only proves, once and for all, how impossible it was in 1848 to win social transformation by a simple surprise attack. (MESW, p. 646)

So, for the older and wiser Engels, and Marx, the overthrow of capitalism came to be seen as a long drawn out struggle. The immediate political consideration was now the careful building of a strong working class movement committed to socialism, rather than the ideological preparation for an imminent insurrection. Only after the workers' movement had established itself after perhaps decades of struggle and organization could there be a realistic prospect of a revolutionary transformation of society. There was no longer any hope of an insurrectional short cut to communism for Marx and

Engels in their later years.

The critical utopianism' of their youth became replaced by, what we may term, a 'critical positivism'. Their central concern became focused on what is, on the existing state of affairs and problems that constrained the still young workers' movement. The question of the economic consequently became even more central. No longer did Marx envisage his critique of political economy as being little more than a 'brochure' in a series that would embrace a whole multitude of topics; instead it became an enormous 'text book' for the guidance of the socialist movement fighting within capitalist society. Marx's theoretical works ceased to be short polemics but instead increasingly took the form of scientific treatises considering the questions at hand in all their depth.

In a letter to Engels in 1863 Marx remarks, concerning the wave of uprisings in Poland of that year:

What do you say to the Polish business? This much is certain - the era of revolution has now fairly opened again in Europe. And the general position is good. But the comfortable delusions and the almost childish enthusiasms with which we hailed the era of revolution before February 1848 have all gone to hell...we know what a part stupidity plays in revolutions, and how they are exploited by scoundrels... (MESC, p. 144)

So that such stupidity could be overcome in the future, the socialist movement required theoretical clarity. It needed a firm foundation for its policies and arguments. It had to understand the objective material conditions within which it was obliged to operate. The basis for this is what Marx hoped to provide with his detailed critique of political economy. Without the imminence of a decisive revolutionary struggle Marx had the time to focus in detail on this and his thematic in general.

1. *Capital and the climate of positivism*

The shift towards a 'critical positivism' was further accentuated by the general change in the intellectual climate of the mid to late nineteenth century within which Marx and Engels had to articulate their theories. The great advance made by the natural sciences during the nineteenth century had served to raise the esteem of such sciences far above that of philosophy. Science was seen as the great progressive force of the time. Consequently, as the century wore on, positivism, which sought to grasp the world in terms of natural objective laws, gained in prestige. Increasingly, following positivists such as the great French proponent, Comte, it was sought to extend the methods of

the natural sciences into the study of society and history. By the 1860s the great speculative philosophy of Hegel, with all its essentialist and teleological conceptions, which had dominated the intellectual climate of both Marx's and Engels's youth, had become distinctly old fashioned. To the empirically minded atomist who came to dominate the second half of the century, Hegel was but a barely comprehensible 'has been'.

Undoubtedly this 'rise of science' had an important impact on Marx and Engels, and this was perhaps nowhere more so than in the realm of biology. Marx was deeply impressed by the work of Darwin, whose work - On the Origin of Species - had served to refute all the religious dogmas concerning creation. Further, as Marx remarks in a letter to Lassalle written in 1861:

Darwin's book is very important and serves me as a basis in natural science for the class struggle. (MESC, p. 125)

And what is more, in a footnote in Volume I of Capital:

Darwin has interested us in the history of Nature's Technology, i.e. the formation of the organs of plants and animals, which organs serve as instruments of production for sustaining life. Does not the history of the productive organs of man, of organs that are the material basis of all social organisation, deserve equal attention?

(Capital I, p. 372)

While both Marx and Engels came to defend their ideas on the grounds that they were 'scientific' and expressed admiration for the advances in the natural sciences, they did not fully embrace the intellectual fashion of positivism.8 Although they recognized the strong methodological parallels between history and the natural sciences they maintained that they could not be reduced to one another. What is more, Marx repeatedly defended Hegel, as is shown, for example, in the Afterword of the second German edition of volume I of Capital and also in a letter written to Engels in 1866:

I am also studying Comte now, as a sideline, because the English and French make such a fuss about the fellow. What takes their fancy is the encyclopedic touch, the synthesis. But this is miserable compared to Hegel (although Comte, as a professional mathematician and physicist, was superior to him, i.e. in matters of detail, even here Hegel is infinitely greater as a whole).

(MESC. p. 210)

The importance of the dialectic, and the superiority of dialectical logic over

the analytical logic that dominated the natural sciences, for Marx and Engels meant that they could never abandon Hegel for positivism.

Engels, however, as we shall see in our concluding chapter, was far more profoundly affected by the rise of scientism than was Marx. His efforts to establish a natural dialectic, by extending the dialectic to the natural sciences, was to have important implications in the development of Marxism. Engels, when recounting the development of historical materialism in his later works - such as in Socialism: Utopian and Scientific (see MESW) - defines the most significant feature of Marx's socialism as it being a scientific socialism as compared to the utopian features of his socialist rivals. In such works Engels can be seen to read his scientific conceptions back into his own and Marx's polemics of the 1840s, dispite the fact that at that time neither of them used such terms to distinguish their work from their socialist rivals.

We shall return to Engels's scientism, and his consequent divergence from Marx later when we consider the transposition of the closure within Marx into the closure within Marxism.

**Conclusion**

We have seen then, how, in coming to terms with the limitations imposed by the historical context within which he lived, Marx's theoretical attitude shifted from a 'critical utopianism' towards a 'critical positivism', a shift that was accentuated by the rise of scientism in the intellectual climate of the mid to late nineteenth century. With an attitude of 'critical positivism' Marx was led to focus in detail on the actual objective material economic conditions that confronted the socialist movement. The emphasis of his thematic shifted towards the existence of capitalism as opposed to its overthrow; to the dialectic of capital as opposed to the counter-dialectic of class struggle. The active and subjective sides of Marx's thematic came to be curtailed and closed off in order to reveal in all its clarity the objective and material aspects. This shift from a 'critical utopianism' to a 'critical positivism' was at the same time a movement of closure.

The question that we shall address is how and where Marx enacted his closure within his thematic in order pose the problematic of political economy, and how this corresponded to the logical necessity for a provisional closure within the theoretical line of development of the Marxian project. We shall begin with the work that is pivotal to the shift from the theoretical attitude of 'critical utopianism' to that of a 'critical positivism' - the Grundrisse and its relation to Capital.

**Notes**

1. The question of the maturity of capitalism is vital both for an understanding of Marx and for current perspectives on capitalism. It has been often argued that capitalism had not only reached maturity by the time of Marx's death but that within the following fe-v decades leading up to the First World War it entered the stage of its decline. This has led many Marxists to view the 'monopoly' capitalism of the twentieth century as being radically different from the 'classical' capitalism which was analyzed by Marx. Whilst this view has served to bolster the revolutionary commitment to the imminent overthrow of capitalism, it has also opened the way for the theorists of a neo­capitalism for whom Marx is simply an outdated theorist of nineteenth century capitalism. For a recent criticisms of the idea of capitalism as being in decline, see Machover (1991) and Aufheben no.s 2 and 3.
2. See chapter 5.
3. Even in Britain, the most advanced capitalist economy of the time, the biggest sector of employment, even as late as at the turn of the century, was still domestic service.
4. The obvious example of this being the role of the German Social Democratic Party in supporting the German war effort by voting for war credits in 1914, against all its previous anti-imperialist promises, and its role in crushing the revolutionary wave of 1918-21, despite its nominal commitment to the overthrow of capitalism.
5. So, while Marx could see the full development of the dialectic of capital he could not see the development of the counter-dialectic of class struggle. As we have already noted an important analysis of the impact of the growing power of the working class on bourgeois political economy is that pul forward by Negri. See Negri (1988).
6. See Bernstein (1961).
7. Marx's 'predictions of an increasing immiseration of the proletariat have been an easy target for the more empirically minded orthodox economist, particularly in times of economic prosperity such as the post-war economic boom of the 1950s and '60s. Even non-Marxist economists who are otherwise more sympathetic to Marx have raised this issue against Marx; see for example Schumpeter (1947). However, the more perceptive of bourgeois critics of Marx's immiseration thesis have acknowledged the importance of Marx's conception of alienation albeit as a non-economic factor; see for example Sowell (1960).
8. It should also be noted that Marx's and Engels's commitment to the natural science served as a useful political expedient. The great

advances of bourgeois science, with all its attendant notions of scientific progress, undoubtedly greatly impressed the working class of the late nineteenth century. Against the appeal of such rivals as Bakunin, who could claim to he the great insurreclionalist and 'man of action1 who called for action not words, and Proudhon, who could claim respect as the self-taught worker, Marx's only claim to the ears of the workers was as the great scientific thinker of the movement, a thinker who could defeat the bourgeois ideologists on their own ground of 'scientific' thought. In making concessions to bourgeois science Marx could thereby could hope to enhance his own ideas amongst the working class.

**7 The enactment of closure: From the Grundrisse to Capital**

**Introduction**

As we saw in chapter 3, the Grundrisse was written at a time when Marx expected that an economic crisis was about to unleash a new wave of revolutionary struggles across Europe. After ten years of patient waiting the time seemed right for the beginnings of a proletarian revolution.

In the Grundrisse the gradual shift towards an attitude of 'critical positivism', evident since the defeat of the 1848 revolutions, becomes temporarily disrupted by the prospect of revolutionary crisis. The tension between critical positivism' and 'critical utopianism' comes to the fore, propelling Marx forward as it does so. It is within the Grundrisse that Marx comes to enact the closure within his thematic. It is here that the problems and difficulties of making such a closure become most readily apparent; and it is here that the consequent tears and incisions within his thematic lie at the surface of Marx's writing.

The notebooks which make up the Grundrisse were for a long time lost. It was only in 1939 and 1941 that a small limited edition of the Grundrisse was published by the Marx-Engels-Lenin Institute in Moscow in the form of two volumes. The first edition to become readily available in any significant numbers in the West was not published until 1953 and it was not for another twenty years that an English translation of the Grundrisse appeared in print. So for a long time the Grundrisse remained an obscure, if not an unknown, text and it has been only in the last few decades that its widespread availability has begun to raise the question of its critical importance in the understanding of Marx.

In chapter 3 we covered briefly the, by now, standard Marxian interpretation of the Grundrisse, in which it was seen as the record of enquiry from which Capital was produced. We shall now go on to consider a more radical reinterpretation of the Grundrisse that has been put forward by Negri

in a series of lectures which have been collected together and published as Marx Beyond Marx.

From the 'hot autumn of '69' to the kidnapping and murder of the Italian prime minister, Aldo Moro, in 1978 Italy was repeatedly shaken by wave after wave of intense class conflict. Strikes and riots swept the industrial centres of Italy giving rise to what became known as the autonomist movement. This movement not only raged against the Italian state and bourgeoisie but also against the traditional labour movement, dominated as it was by the largest communist party in Western Europe. Negri emerged as one of the leading Marxist theoreticians of the autonomist movement and was imprisoned along with thousands of other militants of this movement following the 'anti- terrorist' clamp down of the late seventies.1

Negri sought to redefine Marx in terms of the autonomist movement and against the conventional interpretations of the Stalinist ideologists of the Italian Communist Party. In doing this Negri came to grasp the dynamic of class composition and contestation, what we have termed the counter­dialectic of class struggle, in the light of Marx's theoretical project. This stood radically opposed to the 'scientific' readings of Marx made by Marxist orthodoxy. For Negri the most important of Marx's texts for this task of redefinition was not Capital but the Grundrisse. Through his radical reinterpretalion of the Grundrisse Negri seeks to draw out the revolutionary subjectivity of Marx which becomes closed off in Capital. He thereby comes to pose a Marx that is, in a sense, beyond Marx: Marx the revolutionary rather than Marx the dialectical scientist. As Negri himself states:

Let us be clear: it is not a question of an abstract polemic against Capital: each of us was bom in the reflection and theoretical consciousness of the class hate which we experience in studying Capital. But Capital is also this text which served to reduce critique to economic theory, to annihilate subjectivity in objectivity, to subject the subversive capacity of the proletariat to the reorganising and repressive intelligence of capitalist power.

(Negri, 1991, p. 19)

Negri sees within the Grundrisse, despite its numerous digressions and asides:

..a forward movement in theory, a more and more constraining movement constituted by the antagonism between the collective worker and the collective capitalist, an antagonism which appears in the form of crisis. (Negri, 1991, p. 4)

and so

The Grundrisse constitutes the subjective approach ('the imminent crisis') to the analysis of the revolutionary subjectivity in the process of capital. The note books represent the strongest point of analysis and of imagination in the revolutionary will of Marx. All the formal dualism about which so much debate occurs (theoretical analysis of capital as opposed to political analysis, dialectics as opposed to materialism, objectivity as opposed to subjectivity) is burned up and melted in the reality of that dualism that constitutes, antagonistically, the capitalist process. (Negri, 1991, p. 9)

Thus while the:

...objectification of categories in Capital blocks action by revolutionary subjectivity. Is it not the case...that the Grundrisse is a text dedicated to revolutionary subjectivity? Does it not reconstruct what the Marxist tradition has too often tom apart, that is to say the unity of the constitution and the strategic project of working class subjectivity? Does it not present Marx as a whole, where other texts cut him apart and give him unilateral definitions? (Negri, 1991, p. 8)

The common factor which binds the principal interpretations of the Grundrisse, despite their disagreements on other points, is, as Negri argues, the view that the Grundrisse is purely a rough draft of Capital, it is merely a stage in the evolution of Marx's thought that found its 'completion' in his ultimate work. Negri, however, by considering the Grundrisse as a text in its own right breaks from this view and comes to pose the question albeit rather tentatively, of the incompleteness of Marx.

Let us say right off that: the path followed by the most famous interpreters does not seem to us to be the right one. Could it not be as suggested in the preparatory outlines, that Capital is only one part, and a non fundamental part at that, in the totality of the Marxian thematic? A part which has been overvaluated because it is the only one fully developed, and for less noble reasons, one that can, because of its partial nature, be limited and be led back within the field of interpretations fundamentally inadequate to the spirit of the total work of Marx? (Negri, 1991, p. 5)

In Marx Beyond Marx Negri launches a fiercely argued polemic that seeks to reclaim Marx for the side of the revolutionaries. In the midst of the Italian crisis of the late 1970s and its immediate aftermath Negri seeks to leap free

from the encroaching clutches of Stalinism and the onset of reaction. In doing so he makes common cause with the Marx of the Grundrisse. He comes to probe the incompleteness of Marx brought about by the closure within the Marxian project established by Capital and the problematic of political economy. As such Negri's theoretical efforts are invaluable to us. Yet it is perhaps hard not to feel that this fierce polemic, outlined in the ten lessons of Marx Beyond Marx, seeks to read too much into the Grundrisse, that it tries to force the Grundrisse to become explicit where it can only remain implicit. In making his radical reinterpretation of the Grundrisse Negri has to annul its movement towards Capital and closure. He has to emphasis those elements reactivated by the prospect of crisis, the elements of the theory of the counter-dialectic of class struggle. He has to underline the Grundrisse as being radically open:

The originality, the happiness, the freshness of the Grundrisse rests

entirely with its incredible openness. (Negri, 1991, p. 9)

But the Grundrisse is itself a moment in the critique of political economy, a product not only of the prospect of crisis and revolution but also of years of systematic study and research on the economic question. The Grundrisse falls far short of Capital in its critique of political economy. The traditional interpretations of the Grundrisse are correct in seeing in this work a process of enquiry that finds its ultimate presentation in Capital. The Grundrisse is necessarily part of the process of closure that becomes imposed with the problematic of political economy. Yet Negri is right in showing how this process of closure that begins within the Grundrisse, and is most evident there, reveals the limitations of Capital. In the raw state of the Grundrisse we can see what Capital must close off, which parts of the Marxian thematic must be suppressed in order to hold fast to the objectified categories of political economy.

We may perhaps say then that the standard interpretations of the Grundrisse drew out the necessary development of the Grundrisse, its movement towards Capital and closure of the Marxian thematic. Negri, however, reveals to us how the Grundrisse can be seen to show, in what is left behind, the possibilities of the Marxian thematic - what may he beyond Capital. How the opening moments in the process of closure reveal the openness of Marx's thematic. For us the Grundrisse contains the movement of closure that necessarily leads to Capital, yet at the same time it reveals the possibilities beyond Capital once the dialectic of capital is grasped and then reversed into the counter-dialectic of class struggle. The closure enacted with the movement from the Grundrisse to Capital is necessary but provisional. We cannot make the leap from the Grundrisse to beyond Capital but must

follow Marx through his 'ultimate' work.

In the Grundrisse, then, with all its hesitations and digressions, we find Marx in the very act of closure. It is thus for us, as it is for Negri, a crucial text for an understanding of the limitations of Marx and Capital. However, since in the following chapters we shall make a detailed examination of Marx's critique of political economy as presented in each of the three volumes of Capital, we do not propose to undertake a close examination of the Grundrisse in its entirety since this would only lead us into an unnecessary degree of repetition. Instead we shall, through a critical engagement with both Negri and Rosdolsky, concentrate on the transition between the Grundrisse and Capital which highlights their difference. For such purposes we shall focus on two issues that most clearly illustrate the movement of closure within this transition; firstly, the 'problem of how to begin a critique of political economy' evident both in the Introduction to the Grundrisse and its opening chapter, and its eventual solution in chapter one of Capital, and secondly, the change in outline of Marx's plan of work from his original plan for six books at the time of the Grundrisse to the resulting three volumes of Capital.

We shall begin, in the following section of this chapter, with the 'problem of the beginning'.

**A) The problem of the beginning**

As Marx remarks in the preface to the first edition of Capital Volume I:

Beginnings are always difficult in all sciences. (Capital "‘I, p. 89)

Any beginning of a science is obliged to delimit the field of investigation that is to be subsequently undertaken. It has to set out the presuppositions that serve as the foundation of what is to follow with all due care. Such efforts are often onerous even for a science whose field of investigation seems self- evident. They are all the more difficult for what is not merely a science but a critique, which by its very nature must critically examine its own presuppositions.2

As a consequence, Marx's efforts to find the correct point of departure for his critique of political economy were fraught with difficulties, as is witnessed by his various deliberations in the Introduction to the Grundrisse. As we saw in chapter 3, the Introduction sets out to consider how to begin' and then 'how to proceed' with a critique of political economy. Yet, despite offering numerous methodological insights into his method, the Introduction ends up as little more than a false start, which Marx subsequently abandons.

The problematic nature of the beginning of Marx's critique that we may discern in the Introduction is, as we shall argue, symptomatic of the problem of inscribing the closure within Marx's broader thematic so that he can focus on a critique of political economy. It is therefore a problem that is very pertinent to our discussion and must now be considered in detail.

However, before considering the implications of Marx's eventual solution to this problem we must first of all briefly outline how he came to this solution between the Grundrisse and Capital.

In the opening sentence of the Introduction Marx declares:

The object before us, to begin with, [is] material production. (Grundrisse, p. 83)

By declaring material production as his starting point Marx reaffirms the conclusions that he had reached a decade before in The German Ideology, where he had stated:

The premises from which we begin are not arbitrary, not dogmas, but real premises from which real abstraction can only be made in the imagination. They are real individuals, their activity and the material conditions under which they live, both those which they find already existing and those produced by their activity.

(Marx, 1970, p. 42)

Here, then, at the very opening of the Introduction, Marx distances himself in no uncertain terms from any lingering idealism bequeathed from German philosophy. Yet, lest he fall foul of the crude materialism of the political economists, Marx is obliged immediately to add a further qualification to his conception of material production:

Individuals producing in society - hence socially determined individual production - is, of course, the point of departure. (Grundrisse, p. 83)

With this qualification Marx is at pains to stress that for him 'material production' is production through society, that it is social. Material production is not merely an aggregation of technical processes that transform nature into useful objects for human consumption, but it at the same time produces society. It is an integral part of the social whole and is therefore constituted both in and through society. Hence, there could be no question of abstracting away society and beginning with the 'natural individual' - production as simply the aggregation of individual Robinson Crusoes - as the

political economists were wont to do. Material production could not be divorced from the society of which it was a part.

But all Marx's efforts in the opening section of the Introduction to stress the necessary historical specificity of material production prove to be insufficient to specify it in the form of capitalist production. The category of production proves to be too much of an abstract generality, from which only the equally abstract general category of consumption can be posited as its opposite. As in any mode of production, consumption stands as the means and end for capitalist production and as such these two opposites become resolved within the identity of the production process taken as a whole. Hence, as Marx remarks:

Thereupon, nothing simpler for a Hegelian than to posit production and consumption as identical. (Grundrisse, p. 93)

Marx thereby found himself, in the Introduction, at a dead end. In order to break though this impasse, Marx was obliged to plunge straight into the midst of the question of money and crisis. Hence, we find that the Grundrisse proper opens with a detailed critique of Darimon's theory of the French monetary crisis of 1855, which then develops into a more general criticism of Proudhonian proposals for labour-money and banking reform.

With money and crisis Marx finds himself in the midst of the immediate specifity of the relations of production. Indeed, the capitalist mode of production makes its appearance as first and foremost as a monetary economy and capital finds its most blatant and independent expression as money. And what could express the autonomous movement of capital over and against the satisfaction of real human needs more than crisis and overproduction?

By beginning with the most blatant and foremost expression of capital and the capitalist mode of production Marx could hope to penetrate behind this appearance to reveal the essential laws of the capitalist economy. However, as Marx's investigation in the first chapter of the Grundrisse unfolded, it became clear that money must be first understood as a commodity. As Marx comes to remark in the Contribution a few months later:

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 (Contribution, p. 64)

Thus, once Marx comes to present his critique of political economy in Capital he begins not with 'money' but with 'the commodity'. The methodological significance of this final solution to the 'problem of where to

begin' has been perhaps best summarized by Nicolaus in his Introduction to the English translation of the Grundrisse:

It is this category, the commodity, which forms the starting point...of Marx's Critique of Political Economy (1859) and of Capital I (1867). It is a beginning which is at once concrete, material, almost tangible, as well as historically specific (to capitalist production); and contains within it (is the unity of) a key antithesis (use-value v. exchange value) whose development involves all the other contradictions of this mode of production. Unlike Hegel's Logic, and unlike Marx's own initial attempts earlier, this beginning begins not with pure, indeterminate, eternal and universal abstraction, but rather with a compound, determinate, delimited and concrete whole - "a concentration of many determinations, hence unity of the diverse..." In a word, this "impure" beginning with which the Grundrisse ends is superior as dialectics to the previous starts, because it contains contradiction from the outset, in embryo; whereas the "pure" (indeterminate, eternal, absolute and universal) beginning starts, falsely, by excluding an opposite (else it would not be pure!), and hence has to pull its antithesis in by the hairs, out of "nothing", by magic...Only a materialist beginning, that is, a beginning with the concrete, the determinate, and hence...the contradictory in itself, can therefore be a truly dialectical beginning... (Grundrisse, p. 38)

Here then, we have in outline the evolution of Marx's solution to the problem of where to begin his critique of political economy. But how does this solution inscribe a closure within his broad thematic? To answer this we must return to once more to consider Marx's confrontation with Hegel.

In the 1844 Manuscripts the central category around which Marx brings Hegel, classical political economy and socialism into mutual confrontation is that of private property. Whereas the political economists took private property as presupposed - as a positive fact of civilized society - and therefore beyond their problematic of the objective laws of the economy, this was not so true either for Hegel or for the socialists. For both Hegel and the socialists private property was the expression of the will of the individual subject. Whereas for Hegel, who took up the perspective of the bourgeoisie, private property was the positive expression of the free will of the bourgeois individual; for the socialists, insofar as they took up the perspective of the proletariat and the impoverished artisan, private property was the denial of the expression of free will, or else the expression of the free will of the exclusive few - of the other.

In The Philosophy of Right Hegel faced the problem of reconciling the incessant 'war of all against all', the constant battle of individual wills, of bourgeois civil society with the unity of will of the bourgeois state. For Hegel, the state was not merely the means through which the strong ruled the weak; nor was the sense of patriotism and civil duty which it invoked merely a cloak with which to hide private self-interest. On the contrary, for Hegel, the modem nation state was the material expression of the ethical Idea. But as such an expression, Hegel could not accept the Hobbesian conception of the slate as a leviathan which simply imposed 'law and order' on an otherwise warring populace, nor could he accept that the state was simply the product of a 'social contract' made implicitly between otherwise externally related sovereign individuals. Instead, as we have previously noted, Hegel sought to demonstrate how the will of the individual subject, by objectifying itself within the alien and positive world of the economy and civil society, came to recognizes itself as a particular expression of the universality of the state and thus of the ethical Idea.

Indeed, for Hegel, it was only through the travails of economic necessity that the individual subject could find her own freedom; that she may realize herself as the immediate expression of absolute free will that becomes explicit in the laws and duties of the state. The Philosophy of Right can therefore be seen as the odyssey of the principle of will and subjectivity, that begins with the individual subject and finds its culmination in the modem state, where law is freedom'. Hegel sums up the culmination of this odyssey as follows:

The state is the actuality of concrete freedom. But concrete freedom consists in this, that personal individuality and its particular interests not only achieve their complete development and gain explicit recognition for their right (as they do in the sphere of the family and civil society) but for one thing, they also pass over of their own accord into the interests of the universal, and, for another thing, they know and will the universal; they even recognize it as their own substantive mind; they take it as their end and aim and are active in its pursuit. The result is that the universal does not prevail or achieve completion except along with particular interests and through the co-operation of particular knowing and willing; and individuals likewise do not live as private persons for their own ends alone, but in the very act of willing these they will the universal in the light of the universal, and their activity is consciously aimed at none but the universal end. The principle of modem states has prodigious strength and depth because it allows the principle of subjectivity to progress to its culmination in the extreme self- subsistenl personal particularity, and yet at the same time brings it

back to the substantive unity and so maintains this unity in the principle of subjectivity itself. (Hegel, 1952, p. 160)

The starting point for Hegel is, then, the individual subject, which for Hegel is the immediate and implicit expression of absolute free will. But how does Hegel come to this starting point?

Hegel opens the Introduction to The Philosophy of Right by making it clear that he is not concerned with actual systems of law as such, but rather with Right as the Idea which then finds its particular expression in actually existing legal systems that arise within various contingent circumstances; Right as the rational essence of positive law. Here, Hegel makes it quite clear that, for him, Right is the social embodiment of Reason. Law is the active expression of Reason itself.

Right must therefore find its origin in the free activity of the mind - that Ls in will. As Hegel himself says:

The basis of right is, in general, mind; its precise place and point of origin is the will. The will is free, so that freedom is both the substance of right and its goal, while the system of right is the realm of freedom made actual, the world of mind brought forth out of itself like a second nature. (Hegel, 1952, p. 20)

Hence, implicidy, from the very outset of The Philosophy of Right, Hegel equates Right with the realization of free will.

However, will makes its immediate appearance as the will of the isolated individual ego. As such, will appears as the unity of two opposed abstract moments. Firstly, it appears as indeterminate and abstract freedom. The freedom of the individual ego to potentially think, and therefore will, anything. Pure abstract universality:

The will contains...the element of pure indeterminacy or that pure reflection of the ego into itself which involves the dissipation of every restriction and every content either immediately presented by nature, by needs, desires, and impulses, or given and determined by any means whatever. This is the unrestricted infinity of absolute abstraction or universality, the pure thought of oneself.

(Hegel, 1952, p. 21)

Secondly, it appears as the self-restriction of the ego into something which is determinate and finite. Its resolution to will something in the context of its particular circumstances. The abstract particularization of the individual ego:

At the same time, the ego is also the transition from undifferentiated indeterminancy to the differentiation, determination, and positing of a determinancy as a content and object. Now further, this content may either be given by nature or engendered by the concept of the mind. Through this positing of itself as something determinate, the ego steps in principle into determinate existence. This is the absolute moment, the finitude or particularisation of the ego. (Hegel, 1952, p. 22)

As the unity of these two abstract moments the will of the individual ego establishes its abstract freedom; its 'freedom of choice':

The will is the unity of both these moments. It is particularity reflected into itself and so brought back to universality, i.e. it is individuality. It is the se//-determination of the ego, which means that at one and the same time the ego posits itself as its own negative, i.e. as restricted and determinate, and yet remains by itself, i.e. in its self-identity and universality. It determines itself and yet at the same time binds itself together with itself. The ego determines itself in so far as it is the relating of negativity to itself. As this self­relation, it is indifferent to this determinancy; it knows it as something which is its own, something which is only ideal, a mere possibility by which this is not constrained and in which it is confined only because it has put itself in it. This is the freedom of the will and it constitutes the concept or substantiality of the will...(Hegel, 1952, p. 23)

Yet for Hegel, this immediate free will of the individual and isolated ego is merely abstract and arbitrary. It is merely a matter of whim and fancy:

What the will has decided to choose...it can equally easily renounce.

But its ability to go beyond any other choice which it may substitute, and so on ad infinitum, never enables it to get beyond its own finitude, because the content of every such choice is something other than the form of the will and therefore something finite, while the opposite of determinancy, namely indeterminancy, ie indecision or abstraction from any content, is only the other, equally one-sided moment of will. (Hegel, 1952, p. 28)

For Hegel, the purely subjective free will of the isolated individual ego is an empty freedom. It is:

...free only in itself or for an external observer...It is not until it has itself as its object that the will is for itself what it is in itself.

(Hegel, 1952, p. 25)

Indeed, Hegel is swift to condemn the common and libertarian view of

freedom that bases itself on this abstract freedom of the individual ego. A

position that was to later find its most forceful expression with Stimer:

The idea which people most commonly have of freedom is that it is arbitrariness - the mean, chosen by abstract reflection, between the will wholly determined by natural impulses, and the will free absolutely. If we hear it said that the definition of freedom is ability to do what we please, such an idea can only be taken to reveal an utter immaturity of thought, for it contains not even an inkling of the absolutely free will, of right, ethical life, and so forth. Reflection, the formal universality and unity of self-consciousness, is the will's abstract certainty of its freedom, but it is not yet the truth of freedom, because it has not yet got itself as its content and aim, and consequently the subjective side is still other than the objective; the content of this self-determination, therefore, also remains purely and simply finite. Instead of being the will in its truth, arbitrariness is more like the will as contradiction. (Hegel, 1952, p. 27)

To make itself its own object the will must objectify itself; it must leave the realm of pure reflection and find its own extemalization in the objective world. In doing so the individual ego must place itself in relation to the multiplicity of other individual egos. The individual ego thereby comes to stand before all others as a determinate subject; a person. A person with her own peculiar and unique characteristics but at the same time a rational human being like all other persons. Hence:

Personality implies that as this person: i) I am completely determined on every side (in my inner caprice, impulse, and desire, as well as by immediate external facts) and so finite, yet ii) none the less I am simply and solely self-relation, and therefore in finitude I know myself as something infinite, universal free.

(Hegel, 1952, p. 37)

It is from this universal aspect of personality that Hegel locates the basis of formal right; the mutual respect of individual egos for the rights of each other as a persons like themselves:

Personality essentially involves the capacity for rights and constitutes the concept and the basis...of the system of abstract and therefore formal right. Hence the imperative of right is: 'Be a person and respect others as persons'.

(Hegel, 1952, p. 37)

Here then, the universality of the free will of the individual ego finds its expression in the formal rights of the individual subject as a person in relation to other such persons. But:

As immediate individuality, a person in making decisions is related to a world of nature directly confronting him, and thus the personality of the will stands over and against this world as something subjective. For personality, however, as inherendy infinite and universal, the restriction of being only subjective is a contradiction and a nullity. Personality is that which struggles to lift itself above this restriction and to give itself reality, or in other words to claim that external world as its own.

(Hegel, 1952, p. 38)

So, how is the personality to give itself reality; how is it to claim the external world as its own? For Hegel the answer is simply to appropriate the external world as private property. With private property the will of the individual subject becomes embodied and objectified in the external world of objects. The free will of the individual subject thereby gains its objective reality. But if the will of the individual subject is not to be subordinated to its objective expression it must also be free to withdraw itself from its particular external expressions; that is, private property must be alienable from the individual subject

The reason I can alienate my property is that it is mine only in so far as I put my will into it. Hence I may abandon (derelinquere) as a res nullius anything that I have or yield it to the will of another and so into his possession, provided always that the thing in question is a thing external by nature. (Hegel, 1952, p. 52)

However, in taking possession of particular objects of the external world as private property, the will of the individual subject is brought into an immediate relation with the wills of other individual subjects. By making something her own private property, by making it the exclusive expression of her own will and freedom, the individual subject must exclude all others. She must gain the implicit recognition from all other individual subjects of her

exclusive right to that particular object. From the mutual recognition of particular individuals to the right of possession over particular objects emerges the universal right of private property. The universal and formal rights as persons now finds their content in the universal right to private property. This then becomes fully explicit with the mutual exchange of property and the mutual recognition of the particular rights of private property through commercial contracts. As Hegel puts it:

Right is in the first place the immediate embodiment which freedom gives itself in an immediate way, i.e. a) possession, which is proper/y-ownership. Freedom is here the freedom of the abstract will in general or, eo ipso, the freedom of a single person related only to himself, b) A person by distinguishing himself from himself relates himself to another person, and it is only as owners that these two persons really exist for each other. Their implicit identity is realised through the transference of property from one to the other in conformity with a common will and without detriment to the rights of either. This is contract. (Hegel, 1952, p. 38)

Here then we see how for Hegel private property is presupposed, and is thus the point of departure for civil society: a society which appears as the simple aggregation of property-owners that are brought into relation to one another through the mutual exchange of property. In accordance with Adam Smith's 'invisible hand', each individual, in pursuit of her own particular self- interest, comes to serve the interest of all. The universal therefore finds its fullest particularization in the free will of the individual.

But for Hegel, the positive laws of the market - of supply and demand - are in themselves insufficient They need to be supplemented by a positive system and institutions of rights and duties to provide for education, the administration of justice and so forth. But while these laws of the market and duties imposed by civil society may appear imposed on the free will of the subject, for Hegel they are the means and guarantee of such free will. In recognizing this the individual subject comes to recognize herself as a citizen of the bourgeois state; as a particular expression of the universality of free will. She comes to consciously will the ends of the state as the universal expression of her own ends.

Here then we see how the bourgeois property-owners find their common unity, and the semblance of human existence, in and through civil society and the state. But, as the socialist critics of Hegel protest, if right and free will is to be expressed only through private property, if the basis of the state is property ownership, what is to become of the vast numbers that have little or no property; of those that have nothing to sell but their labour-power? What

of the proletariat that can only see in private property the appropriation of their own will and purpose, their own subjective activity, to an alien end? For them, as Proudhon proclaims, private property is not right; private property is theft! It is not the embodiment of their liberty, but the denial of their own free will. A denial that is enforced through the repressive apparatus of the bourgeois state that upholds the 'rights' of private property over and against the human needs and desires of the proletariat.

In taking an exclusively bourgeois perspective Hegel effectively suppresses the question of the potentially antagonistic will of the proletariat. Yet he is not completely unaware of it. It continually returns to haunt his exposition. Indeed, Hegel is keenly aware that the unhindered development of civil society leads not only to the enrichment of the few, but also to the impoverishment of the many. Hence the danger arises for Hegel of a large dispossessed rabble antagonistic to the rights of private property:

When civil society is in a state of unimpeded activity, it is engaged in expanding internally in population and industry. The amassing of wealth is intensified by generalising a) the linkage of men by their needs, and b) the methods of preparing and distributing the means to satisfy these needs, because it is from this double process of generalisation that the largest profits are derived. That is one side of the picture. The other side is the subdivision and restriction of particular jobs. This results in the dependence and distress of the class tied to work of that sort, and these again entail inability to feel and enjoy the broader freedoms and especially the intellectual benefits of civil society...

When the standard of living of a large mass of people falls below a certain subsistence level - a level regulated automatically as the one necessary for a member of society - and when there is a consequent loss of the sense of right and wrong, of honesty and the self-respect which makes man insist on maintaining himself by his own work and effort, the result is the creation of a rabble [pobel] of paupers.

(Hegel, 1952, p. 149)

While Hegel docs not explicitly admit it, it is the potential threat of this rabble that more than anything else limits the free play of the market; and it Is this threat that forces the otherwise indifferent property-owners to recognize their common interest in defending the right of private property through the institutions of the state. The will of the state thereby stands as the common will of the bourgeoisie ranged against the potentially antagonistic will of the proletariat.

Yet, while Hegel is obliged to acknowledge the proletariat as an implicitly antagonistic subject at various points in his exposition, for the most part the proletariat is closed off and subsumed. Such closure is imposed within the very category of private property, but it is a closure which is not without its problems. This becomes clear when Hegel is obliged to consider the sale of labour as a form of private property.

Here, Hegel seeks to subsume the proletariat's sale of their own subjective activity as simply another form of alienating private property. But the problem for Hegel is that labour-power is not something external and separable from the worker. In selling her labour the worker sells herself, she alienates her own individual freedom. Hegel can only overcome this, to reassert the freedom of the worker as a bourgeois subject, by pointing out that the worker only sells herself temporarily. In her free time she can enjoy the freedom of her own will like any other property-owner:

Single products of my particular physical and mental skill and of my power to act I can alienate to someone else and I can give him the use of my abilities for a restricted period, because, on the strength of this restriction, my abilities acquire an external relation to the totality and universality of my being. By alienating the whole of my time, as crystallized in my work, and everything I produced, I would be making into another's property the substance of my being, my universal activity and actuality, my personality. (Hegel, 1952, p. 54)

Here, then, Hegel does not exclude the proletariat as the an uncivilized rabble but rather subsumes them as 'respectable' bourgeois commodity- owners. But whether excluded as an uncivilized rabble or else subsumed as a peculiar form of property-owners, the proletariat, as a distinct and antagonistic class, find themselves foreclosed with Hegel's category of private property.

Let us consider in a little more detail the implications of the closure imposed by this category.

As we have seen, Hegel derives the category of private property prior to the system of labour and needs of the economy and civil society; for him labour and use are only marks with which the individual will designates a particular object as its own private property. This first of all serves to affirm the bourgeoisie's right to own property irrespective of how it is used or who produced it. It thereby denies the counter-claims of the proletariat that arise on the basis of labour and need. At the same time, in denying such counter­claims it takes the suppression of the proletarian perspective as given - as a result. The right to private property is taken to have imposed itself. The bourgeoisie stand to the fore as the owners of property in which all trace of

who produced it and for what end have been expunged; the proletariat stand cowed in the background, forgotten except as the shadowy rabble.

Yet private property, as the will of the bourgeoisie, must impose itself over and against the will of the proletariat. This imposition as process, rather than as result, makes its immediate appearance before the proletariat as money and the state. This was well recognized by early socialists such as Proudhon who at least obliquely grasped the reflection of class antagonism in the relations of money and state power, and perhaps more forcefully and explicitly by Bakunin and the anarchists. Indeed, both Proudhon and Bakunin can be seen to have clearly recognized money and state authority as the hostile will of the bourgeoisie and as a consequence they resolutely set themselves against them.

It may be added here that it was this unreclaimed deferral of money and the state as the hostile will of the bourgeoisie, and consequently of the workers' organizational response to it - in contrast to its immediate recognition by the anarchists - which opened the way to Marx's authoritarian statism, and subsequendy to Marxism's commitment to state socialism. It is precisely here, with this omission, that Bakunin's prophetic warnings against the Marxist illusion of abolishing classes through state power and the danger of the emergence a bureaucratic class and the dictatorship of the most knowledgeable strikes home. Indeed, it is with this particular but vital question that Bakunin's more immediate and imminent perspective of class antagonism places him in a far more perceptive position than that of the more sophisticated and 'scientific' Marx of Capital.3

However, in the Grundrisse Marx does immediately enter the fray. Here he secs money not simply as an objective measure of value or a mere means of commodity circulation, but as command. As Negri observes when considering money as the starting point of Marx's investigation in the Grundrisse:

There is so much class hatred contained in this way of approaching the material! Money has the advantage of presenting me immediately the lurid face of the social relation of value; it shows me value right away as exchange, commanded and organised for exploitation. I do not need to plunge into Hegelianism in order to discover the double face of the commodity, of value: money has only one face, that of the boss. (Negri, 1991, p. 23)

As Negri demonstrates, by starting with money and crisis, by placing himself within the imminence of rupture, Marx cannot so easily resolve the class contradictions within the synthesis of the dialectic of capital. With its immediate appearance as money, rather than as commodity, capital stands opposed to labour as an antagonistic subject. Capital as money must be seen

to impose its will over and against labour. Money thereby stands forth, not simply as a social measure or instrument, as it does in Capital, but as a social power - as capital's command over the labour of the proletariat. But at the same time money's command is not guaranteed:

This perpetual tension of money in command is the exact parallel of workers' insurrection... (Negri, 1991, p. 61)

Against the insurrectionary potential of the working class the bourgeoisie, as the subjective agents of capital, must come to consciously organize itself as a class; that is, it must come to constitute itself through state power.

Thus with this point of departure that we find in the Grundrisse, we find ourselves in the midst of class antagonism. Marx 'economistic' analysis becomes overtly political:

By confronting the theme of money as capitaL.Marx makes of command the very material of money. This is a mode of exposition which attacks and reverses our habitual way of seeing the development of Marx's thought - politics and command are situated according to our tradition at the end of the analysis of the process of production, or, according to a more recent mode, politics is even considered as alien to the interest of the "economist" Marx. Just the contrary! Here the assumption of the command in all the intensity of its general political functioning is, on the contrary, primary. (Negri, 1991, p. 61)

But for all Negri's insistence on the superiority of money as the point of departure for a Marxian analysis it is only so for a reworking of Marx; for a neue Darstellung that seeks to go beyond the Marx of Capital by taking up the critical perspective of a revolutionary proletariat. However, for the Marx of 1867 it was still necessary, as we have seen, to go beyond the uncritical perspective of the proletariat as articulated by his socialist contemporaries, to take up the critical perspective of the bourgeoisie, so as to understand what capitalism essentially is.

As Marx came to recognize, capital, money, and indeed the state, could only be understood in themselves as arising from commodity exchange. Money had to be first derived from the commodity, while analysis of the state, as we shall see, came to be deferred beyond the limits of the general problematic of political economy to a separate book on the state. Here, then, we have the necessity of the provisional closure that emerges with the very onset of the problematic of political economy, and which becomes inscribed within the 'problem of the beginning' of Marx's critique of political economy.

The starting point for Marx's own Darstellung could only be the commodity. What is more, the commodity as object; that is, as the immediate expression of the reification of capitalist social relations. But as a starting point, the commodity as object is also a result. The commodity is the very product of capitalist production and as such concentrates the contradictions and relations of such production into their most simple and objective form. Indeed, as the very product of capitalist production, the commodity has implicit within it capital in all its more developed forms.

But with such a result, the will of the proletariat appears, as with Hegel, to be extinguished. The commodity stands as the objective confirmation of the subordination of the worker that produced it. Its ownership by the capitalist is witness to the triumph of the capitalist's will, the will of capital, for whose commercial purposes it was produced.

As such Marx's category appears to stand very close to Hegel's category of private property - an external object into which the bourgeois individual has objectified her will. But whereas Hegel's category is separated from the very start from the 'system of labour and needs', the 'commodity' is very much a part of it. The commodity is nothing other than the product of labour; it is undeniably the result of the subjective activity of the worker who produced it. While the commodity is the objective proof of the subordination of the proletariat to the will of capital, it can not deny its own maker. The will of proletariat cannot be finally closed off, as it is with Hegel; it can only ever be provisionally denied. It remains implicit within the very contradictions of the commodity-form.

Thus, although by starting with the commodity-object Marx comes to emphasise the unity of the dialectic of capital, class antagonism, the counter- dialectic of class struggle, is still implicit within his analysis. The subordination of the will of the proletariat is only ever provisional and must be repeatedly made. Here then, in the very 'problem of where to begin', we can see how Marx comes to inscribe the fust part of his provisional two-fold closure.

We shall see how this beginning serves to impose the second fold of this provisional closure in the following chapter, but before that we must, in the remaining section of this chapter, proceed to consider how the enactment of closure that arises within Marx's critique of political economy becomes evident in the change in his overall plan of work between the Grundrisse of 18S7 and Capital of 1867.

We have seen in the previous section the problems that faced Marx in establishing the correct starting point for a critique of political economy. We saw how such problems were bound up with the closure Marx had to impose within his thematic in order that he could focus on the problematic of political economy. How Marx had to suppress, and hold implicit, the subjective and the negative in order to draw out the dialectic of capital. In the Grundrisse, this closure, this suppression, is in the process of being made. It is this process that explains why the beginning was so problematic and also why, as Nicolaus, in the Introduction to the English translation of the Grundrisse, remarks:

...on one scale the Grundrisse is the Olympian overview of the whole, on another scale it is one fourth of one sixth of the entire opus originally projected. The first three volumes of Capital, however, are themselves, in subject matter, no more than this first of the four projected parts of the original design of the book on capital. (Grundrisse, p. 55)

In the original plan of six books that were to make up Marx's critique of political economy we can infer an overall unfolding of this critique to the point at which it would open out into a detailed exposition of the thematic of capitalism and its overthrow'. In the first three books - the books on capital, landed property and wage-labour - Marx intended to expose the objective, historically given, economic and material conditions on which the three great classes of bourgeois society are based. In the fourth book, the book on the slate, Marx would have then sought to show how the contradictions between these three classes are held within the political unity imposed by the state. In the fifth book, the book on foreign trade, Marx would have then been able to examine the economic relations between different states which would then prepare the way for the sixth and final book, the book on the world market and crises. This unfolding would have not only entailed an ascent from the abstract to the concrete but also a movement in which the subjective and the negative would have necessarily become increasingly explicit, emerging fully at the point of global crisis. At this point the repeated displacement of crisis through the intensive and extensive development of capital would finally reach its limit and the counter-dialectic of class struggle would finally break through.

There is little, if any, evidence to suggest that Marx came to totally reject this overall direction of the original outline, and in fact, as Rosdolsky concludes:

As far as these last books (Books IV, V, VI) are concerned our enquiry suggests the conclusion that they were never really abandoned. (Rosdolsky, 1977, p. 23)

Yet it is clear that the first three books of the plan had been substantially revised by the time Marx came to write Capital. As we saw in chapter 3, Rosdolsky argues that the books on landed property and wage-labour were incorporated into the three volumes of Capital. From a close comparison of the contents of the Grundrisse with that of each of the three volumes of Capital he is able to demonstrate convincingly how Marx comes to introduce the questions of wage-labour and landed property into the structure of Capital. Furthermore, Rosdolsky puts forward persuasive arguments as to why Marx should have altered his plan in this way.

But, as Negri has objected, while Rosdolsky has shown why Marx came to revise his plan for the first three books, he does not show conclusively that Marx incorporated the entire contents of what was to have originally appeared in the books on landed property and wage-labour into the confines of the volumes of Capital. In the light of this objection we shall now return to examine Rosdolsky's arguments concerning the abandonment of these two books in a little more detail.

In The Making of Marx's 'Capital' Rosdolsky explains the change in Marx's plan that occurs between the writing of the Grundrisse in 1857 and the writing of Capital ten years latter by first rejecting the earlier explanations of this change of plan put forward by Grossman and Behrens. Both of these explanations, despite various disagreements, had argued that in the original plan for three separate books on capital, landed property and wage-labour, Marx had merely adopted the three-fold division of political economy. This three-fold division, which Marx was to come to term the 'trinity formula', was seen as an apologetic and unscientific approach that Marx came to abandon when he finally broke through to a scientific critique of political economy in the early 1860s.

Rosdolsky, however, argues that this three-fold division of the subject matter within the original outline of 1857 was a necessary point of departure that only possessed a superficial resemblance to the 'trinity formula' of vulgar economics. Under the 'trinity formula' land, labour and capital were taken as mere things, as factors of production, that are brought into an external relation to each other with their combination in the production process, and in consequence give rise to the three revenues in return for their use to their respective owners in the forms of rent, wages and profit (interest). For Marx, even in 1857, capital, wage-labour and landed property were not things but social relations of production that emerge within the capitalist mode of production. The dominant social relation was, for bourgeois society, that of

capital. It was capital that structured the social whole and thereby assigned landed-property and wage-labour the locations within this social totality.

Thus it was the book on capital that Marx had to take first. In order to uncover the inner-connections of capital Marx sought at first to abstract from the complicating effects of wage-labour and landed-property, which are separated out into distinct books. As Marx explains to Engels concerning the Grundrisse:

1. Capital. First Section: Capital in General. In the whole of this section it is assumed that the wages of labour are constantly equal to their lowest level. The movement of wages themselves and the rise or fall of the minimum come under the consideration of wage labour. Further, landed property is taken as = 0; that is nothing as yet concerns landed property as a particular economic relation. This is the only possible way to avoid having to deal with everything under each particular relation. (MESC,p. 106)

Yet as Rosdolsky points out:

...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 [i.e. the Grundrisse] itself provides an important pointer here because, although this manuscript was drafted entirely in accordance with the intentions of the original outline, none of 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. 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... 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 [i.e. Capital] which only dealt with 'capital'. (Rosdolsky, 1977, p. 53)

So, Rosdolsky concludes that both the book on landed property and the book on wage labour were, in all their essentials, incorporated into the three volumes of Capital so that:

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' forms. 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 value-theory in Volume I and the theory of prices of production developed in Volume III, by means of an analysis of the wage and its forms.

(Rosdolsky, 1977, p. 54)

But, as we may ask Rosdolsky, in the light of Marx's intentions outlined in the original plan, is it sufficient to conclude that everything which Ls apparently missing in the Grundrisse is, at: least in terms of the first three books, present in Capital? Is it not possible that the book on landed property and the book on wage-labour were in some way dismembered so that not all of their 'essential parts' were incorporated into the three volumes of Capital? Should we not seek to find what is missing, in the light of the original outline, in Capital as well as in the Grundrisse? Because Rosdolsky implicitly assumed that Capital was in some sense Marx's ultimate and complete work on 'economics' he was unable to address such questions. He could only envisage the two abandoned books insofar as they would have contributed to the critique of political economy presented in the pages of Capital. We must therefore venture beyond Rosdolsky to seek out the broad contents of these two abandoned books.

Marx left no detailed plans for what he intended to include in cither the book on landed property or the book on wage-labour and it is probable that he had only a vague outline of what they would contain. Yet despite these severe limitations we may hope that by grasping the implicit trajectory of Marx's critique of political economy, aided by various asides and digressions in the Grundrisse, it will be possible to discern whether the three volumes of Capital did enclose the first three books of the original plan, as Rosdolsky maintains, or whether there are pans that are missing.

1. *The book on landed property*

First let us look at the book on landed property. According to Marx's original

outline the Grundrisse aimed to cover the first part of the book on capital; the question of landed property was to have been held in abeyance, yet here and there in the course of his investigation set out in the Grundrisse Marx is obliged to address certain aspects of landed property, if only to abstract them. Perhaps the most important place this occurs is in a short aside entitled capital and modem landed property - Wakefield'. The importance of this aside arises due to the fact that it emerges at a point where it is clear that Marx is seeking to clarify the broad development of his investigation.

In the middle of an exploration into the distinctive character of the exchange between capital and labour Marx suddenly breaks off to outline his proposed book on capital in order to situate this exploration. Having divided the book on capital into three parts - 'capital-in-general', 'capital-in- particularity' and 'capital-singularity' (concluding with capital as the money market) - Marx goes on to consider the book on landed property that would then follow:

In the money market capital is posited in its totality; there it determines prices, derives work, regulates production, in a word, is the source of production; but capital, not only as something which produces itself (positing prices materially in industry etc., developing forces of production) but at the same time as a creator of values, has to posit a value or a form of wealth specifically distinct 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 modem landed property, of ground rent...

(Grundrisse, p. 275)

Marx in the following few pages goes on to examine the relation between the category of landed property with those of capital and wage-labour in terms of both the logical and historical transitions of capital into landed property and of landed property into wage-labour.

With this digression Marx explicitly sets out the historical and logical connections of the book on landed property with the of book on capital, of which his investigation in the Grundrisse was a part, so that he could abstract landed property from his investigation. By starting with the book on capital Marx had taken as given that capital dominated social relations; he had taken the capitalist mode of production as being in its maturity and thus as self- sustaining. Yet central to Marx's critique was the historical specificity of the capitalist mode of production; as he remarks in the passage in question:

It must be kept in mind that the new forces of production and

relations of production do not develop out of nothing, nor drop from the sky, nor 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 in precisely subordinating all elements of society to itself or in creating out of it 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. (Gnindrisse, p. 278)

Here Marx indicates an important methodological problem. Categories cannot be understood unless placed within the context of a historically specific totality; thus Marx holds fast to the capitalist mode of production by starting with the category of capital, but such a totality has to come into being out of pre-existing conditions, and while such becoming may become a moment in the continuing development of that totality the relation between categories in the mature totality are not necessarily the same as they are in its process of becoming. The logical and historical connections of a totality such as the capitalist mode of production are distinct. This becomes vital in considering the separating out of the questions of landed property from that of capital itself.

Up until this digression in question Marx had held to the logical inner connections of capital; progressing from money in the first notebook of the Grundrisse to capital in the second. Then with the discussion of the distinct character of the exchange between capital and labour Marx had begun to consider the subordination of wage-labour to capital. In the logical connections of the 'complete bourgeois system' wage-labour directly presupposes capital just as capital directly presupposes wage-labour. At the same time the transition from the sphere of circulation - money, money as money, money as capital - to the process of production is a logical transition from the surface of capitalism to its essence. This logical transition, however, mirrors an historical transition. Capital comes into existence, first in the circulation of commodities as money-capital in the form of mercantile capitalism, and then only later appropriates production to become industrial capital where it direcdy appropriates wage-labour for its own self-expansion.

Yet in its embryonic form capital cannot appropriate labour immediately since such labour does not historically exist in the form of wage-labour freely available for exploitation. Instead capital has to create the preconditions for

wage-labour through the creation of modem landed property. Through the creation of modem landed properly the mass of the population becomes excluded from the land and thus finds itself dispossessed from the means of subsistence and production. The working population are consequendy obliged to offer themselves as wage-labourers.

This process of becoming is important in the examination of the historical origins of capitalism but it is also important in the continued development of the capitalist mode of production since the inherent drive of capital towards expansion repeatedly brings it into confrontation with pre-capitalist social formations. Thus, as Marx remarks when considering Wakefield's proposition that the government should actively seek to reserve land in the colonies in order to raise its price above the means of the mass of the colonial population:

...if within one society the modem relations of production, i.e. capital, are developed to its totality, and this society then seizes hold of a new territory, as e.g. 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 modem landed property; landed property which, as capitalized rent, is expensive, and which, as such excludes the direct use of the soil by individuals. Hence Wakefield's theory of the colonies, followed in practice by the English government in Australia. Landed property is here artificially made more expensive in order to transform the workers into wage workers, to make capital act as capital (Grundrisse, p. 278)

The transformation of traditional forms of landed property (and property relations of natural resources in general) into modem landed property is a necessity for the development of capital as capital. Capital must subordinate landed property to its own ends. This it does by constituting land as a value, which capital itself does not produce, through the capitalization of ground rent. With this subordination of landed property to the capitalist relation, which Marx terms the transition of capital into landed property, the rural population is excluded from the land and is made available as wage-labourers; at the same time agriculture becomes opened up to capitalistic methods of production.

So modem landed property is a necessity for the process of the becoming of capital, a process that persists within the mature totality of capitalistic relations through the expansion of capitalism in such forms as colonialism. However, in creating modem landed property capital creates the conditions of

a distinct propertied class within bourgeois society that is opposed to capital. A landowning class, who, through its monopoly of land and natural resources, not only excludes the worker but also the capitalist. This class is consequently able to intercept the produced surplus-value of production requiring such land or natural resources as ground rent. Once capital becomes established as a totality this modem landed property that it has itself created for its own development becomes an obstacle to the self-expansion of capital since it serves to drain off the surplus-value that could have otherwise been accumulated as capital. Modem landed property becomes the material base for the continued existence of a reactionary propertied class of landowners.

As Marx goes on to argue:

...after capital has posited landed property and hence arrived at its double purpose: (1) industrial agriculture, and thereby development of the forces of production on the land; (2) wage labour, thereby general domination of capital over the countryside; it then regards the existence landed property itself as a merely transitional development, which is required as an action of capital on the old relations of landed property, and a product of their decomposition; but which, as such - once this purpose is achieved - is merely a limitation on profit, not a necessary requirement for production. It thus endeavours to dissolve landed property as private property and to transfer it to the state... Thus the transition double (1) positive transition from landed property, or from capital through the mediation of modem landed property, to wage labour; (2) negative transition negation of landed property by capital...

(Grundrisse, p. 279)

So within the mature totality of capital modem landed property tends to be eliminated so that in the complete bourgeois system the essential categories are those of capital and wage-labour; the principal classes being the capitalist class and the working class. So that, as Marx comes to remark in his Theories of Surplus Value :

Capitalist and wage-labourer are the sole functionaries and factors of production whose relationship and confrontation arise from the nature of the capitalist mode of production. (TSV II, p. 152)

and this:

...can only be grasped and become self-evident when the capitalist

has seized agriculture, and everywhere, as is generally the case in England, has taken charge of agriculture just as he has industry, and has excluded the landowner from any direct participation in the production process. (TSV II, p. 153)

We are now in a position to see the full importance of Marx's digression - 'capital and modem landed property - Wakefield'. In the Grundrisse Marx seeks to investigate the logical inner connections of the capital relation in abstraction from the complications of landed property. In confronting Wakefield, Marx is able to confirm that, although modem landed property is vital for the development of capital and persists as a moment within the complete and mature bourgeois economic system in such areas as the colonies, the transition of capital into landed property is for the most part an historical transition. The connection of modem landed property to capitalism belongs to the becoming of capital rather than to capital in itself. Since landed property relates to capital as an historical connection rather than a logical connection, and since within mature capitalism the predominant tendency is for the elimination of modem landed property, Marx can assure himself that he may consider capital in its pure form in isolation from landed property. Landed property can be separated out and considered in the separate book on landed property as Marx had intended; an intention that is now confirmed as resting on a real abstraction.

However, the subordination of modem landed property to capital is not entirely an historical relation of capital's becoming but persists, even with the elimination of a distinct landowning class, within the logic of capital as a self- sustaining system. Capital must still posit a value distinct from itself. This gives us a clue to the basis on which Marx reintroduced landed property when he came to write Capital.

In the competitive battle between industrial capitals, both within and between particular branches of production, those producing in the most favourable conditions will be able to extract surplus-profit - that is, profits above that warranted by the general rate of profit ruling in the economy as a whole.4 To a large and ever increasing extent, the conditions of production are internal to capital itself. Through the introduction of more advanced technology or production methods the conditions of production are repeatedly revolutionized. Capitals that introduce new technology, or more advanced methods of production will able to reap surplus-proflts, but only until their rivals catch up. Surplus-proflts that arise from the internal transformation of the conditions of production are therefore always more or less temporary to the degree that rival competitors can themselves reproduce those conditions.

However, certain conditions of production, such as land or natural

resources, are external to capital. If property relations can be extended to these conditions of production which can limit their use, so that only particular individual capitals can take advantage of them, then the basis for a more or less permanent surplus-profil emerges to the degree that such conditions have no viable substitutes. Since the ownership of these conditions of production confer an entitlement to the produced surplus-value, capital imputes a value for them distinct from itself.

Insofar as the surplus-profit is intercepted by a distinct property owning class, then it takes the form of ground rent. It is this that provides the material basis for the persistence of a distinct landowning class in mature capitalism. But even if the landowning class is somehow dispossessed then the existence of the property relations within these external conditions of production will still affect the competition between capitals and thus the formation of prices and the distribution of surplus-value as profit. Thus, for example, if the ownership of land is transferred to the capitalist farmer then the extra surplus-value that is retained by the farmer, due to the ownership of land and the exclusion of competitors, is now pocketed not by the landlord as rent but by the capitalist fanner as a permanent surplus-profit. Thus purely in terms of the logical connections' of capital-in-itself - as opposed to the historical connections - the study of landed property and ground rent resolves itself into merely a study of the extreme form of the relation of surplus-profil that arises from the peculiarities of conditions of production external to capital.

Because the overriding tendency of capitalist production is to extend the subjection of nature and thereby internalize previously external conditions of production, then the logical connections that emerge with landed property and rent, or else permanent surplus-value, are for the most part of a secondary order and were of little concern to Marx's attempt to investigate the primary (inner) connections of capital in the Grundrisse. Yet when Marx came to present this investigation in Capital these secondary logical connections of rent and landed property, in distinction to the historical connections of capital's becoming, did become a concern, as we shall now see.

In Part VI of Volume III of Capital -Transformation of surplus-profil into ground rent' we find these secondary logical connections of landed property and rent incorporated into the main text of Capital. It is here, in the penultimate section of Volume III, where Marx sets out his theories of differential and absolute rent, that Rosdolsky identifies as the place where the 'essential pans' of the book on landed propeny are to be found. But why did Marx decide to introduce these logical connections into Capital at this point? And are they .the 'essential parts' of the originally intended book on landed propeny?

We may identify two principal reasons why Marx decided to introduce these logical connections at this point in Capital. Firstly, as Rosdolsky points out, Volume III goes beyond 'capital-in-general', which had been the concern of the Grundrisse, to consider 'many-capitals'. This led Marx to pose the problem of the transformation of values into prices and the formation of the general rate of profit. As we saw in chapter 3, Marx came to solve the transformation problem through his critique of Ricardo's theory of rent that he made, a few years after the Grundrisse, in his Theories of Surplus-Value. Although an exposition of his theory of rent was not essential for the presentation of Marx's solution to the transformation problem in Volume III, it did illustrate the distinction between value and price and underline the point that profit and rent are particular forms of surplus-value.

Secondly, and more importantly, Marx had to introduce his theory of rent at this point in the presentation of his critique of political economy so that he could show how the essential relations of capital make their appearance in terms of the 'trinity formula', so familiar to the economists. In the process of investigation, of which the Grundrisse had been a part, Marx had to isolate out landed property in order to come to grips with the primary, inner connections of capital. In Capital, where he presents the results of such investigation, Marx has to introduce these secondary logical connections of landed property, that arise with rent theory, if he is to show the material basis for the revenues that support the two distinct propertied classes of bourgeoise society. Surplus-value does not only take the forms of profit and interest, which provide the material basis for the capitalist class, but must also take the form of rent, which provides the material basis for the distinct propertied class of landowners.

However, because these logical connections of landed property are secondary, Marx need only introduce them just before he considers the appearance of the essential relations of capital in the form of the 'trinity formula'. We therefore find these logical connections of landed property towards the end of the third volume of Capital. Hence we find that 'the transformation of surplus-value into rent' comes after its transformation into profit and interest, and just before Marx concludes with the three revenues of the three great classes of bourgeois society.

It can be seen that the logical connections of landed property that arise with the theory of rent are the 'essential parts' of the originally intended book on landed property that Marx has to introduce in order to present his critique of political economy in Capital. But while these connections were 'essential' for Capital, they are not necessarily the essential, or only parts of what Marx may have intended to include in the book on landed property. They are only the essential parts if we concur with Rosdolsky and take Capital as being Marx's ultimate and complete work. It may be asked, what happened to the

historical connections of landed property? Would not a study of these connections have provided a substantial, if not essential, part of what Marx would have originally included in the book on landed property?

If we examine Capital we do in fact find what Marx defined as the historical transition of capital into landed property included in the course of his exposition. Most notably in Part VIII of Volume I: The so-called Primitive Accumulation'. Here we find Marx turning away temporarily from the logical unfolding of the categories of capitalist production that make up much of Volume I to make a lengthy digression into the historical genesis of such categories. This digression allows Marx to emphasize the historical character of the capitalist mode of production and provides him with the basis with which to refute the idea that the capitalist owes her position to the frugality and abstinence of her forebearers. By turning to consider the 'bloody' becoming of capital, both in the historical transition of feudalism into capitalism witnessed in England and Europe, and in the contemporary advance of colonialism - both of which required the introduction of the historical connections of landed property - Marx was able to bring Volume I to a powerful and well illustrated conclusion.

It would seem that, although he omits to mention the inclusion of landed property in Volume I, Rosdolsky's argument is vindicated. The logical connections that would have appeared in the original book on landed property find their way into Volume III, while the historical connections find their way into Marx's theory of the primitive accumulation of capital in Volume I. But this is true only insofar as most, or at least the essential parts, of both the historical and logical connections of the book on landed property can be accounted for in Capital. While the logical connections of landed property are necessarily introduced into the logical unfolding of the categories of capital-in-itself that is presented by Marx's Capital, the historical connections of landed property are only introduced to illustrate this logical unfolding of the categories of capital. There is no reason to suppose that such historical connections were included in their entirety. In fact there is a certain amount of circumstantial evidence to suggest that a large amount of material relating to the historical connections of landed property was omitted from Capital.

Soon after the publication of Volume I of Capital the question of the historical connections of landed property became one of Marx's principal theoretical preoccupations, which lasted for the rest of his life. In fact it could be argued that this preoccupation with the question of landed property was one of the main factors that prevented Marx from bringing the final two volumes of Capital to publication himself. From 1870 onwards Marx amassed an enormous quantity of empirical and statistical material concerning the agricultural conditions in various countries.

After Marx's death Engels records finding over two cubic metres of

documents relating to Russian agricultural statistics alone among Marx's papers. In order to read these documents Marx had gone to the trouble, late in his life, to learn Russian. Furthermore, it is known that during the 1870s Marx had devoted much time to studying those natural sciences closely related to agriculture, such as geology, biology and plant physiology, in order to understand the differing agricultural conditions in various countries and regions.

So why did Marx devote such efforts in studying these sources that relate to agricultural production, and thus landed property, to the detriment of the completion of Capital, and despite his ill-health? Do such efforts imply that there was more to the book on landed property that did not find its way into the three volumes of Capital, and which remained to haunt Marx?

In order to uncover the general laws and categories of capital Marx abstracted from the specific historical conditions of the most advanced capitalist economy of his time - that of England. It is not surprising, therefore, that when Marx came to present his critique of political economy, which was written principally against the British political economists, he should draw the historical illustrations and examples for his theoretical arguments mainly from the historical development of capitalism in England and the British Isles.

Yet with the rapid development of capitalism elsewhere in the world, which was becoming readily apparent by the late 1860s, the particular course of historical development of capitalism in England, which served to illustrate much of Capital, came into stark contrast with the development of capitalism in other countries. This threatened to have serious political implications for the interpretation and development of Marx's ideas. Consequently Marx was obliged to turn his attention increasingly away from the uncovering of the general laws of capitalism to their application to specific economic and political conditions and conjunctures in various regions of the world.

Let us firstly take the example of Russia, which as we have already noted was of particular interest for Marx in his final years.

Following the defeat of the Paris Commune hopes for a revolutionary upheaval shifted decisively towards Eastern Europe, and Russia in particular. As Marx writes in a letter to Sorge in 1877:

Russia has long been standing on the threshold of an upheaval, all the elements of it are prepared -1 have studied the conditions there from original Russian sources, unofficial and official. All sections of Russian society are in complete disintegration economically, morally and intellectually. This time revolution will begin in the East, hitherto the unbroken bulwark and reserve army of counter­revolution. (M&ESC, p. 341)

Marx's interest in the revolutionary potential of Russia and Eastern Europe was matched by the interest that the fervent and committed revolutionaries of Russia and Eastern Europe showed in Marx. No other edition of the first volume of Capital had a greater circulation at this time than the Russian edition. Marx's ideas, with the translation of his ideas into Russian, came to have a profound impact on revolutionary circles in Russia and Eastern Europe. Yet while many revolutionaries rushed to become 'Marxists' many others denied the applicability of Marx's ideas to Russia or Eastern Europe.

Consequently an intense debate emerged in the revolutionary camp between those who regarded themselves as Marxists and those who later became known as the Narodniks. This controversy owed not a little to the fact that the historical development of capitalism in England and Western Europe, which had served to illustrate Capital and much of Marx's writings, was in stark contrast to the development of capitalism that was emerging in Russia and Eastern Europe.5

The feudal order from which capitalism had to originate in Eastern Europe had a distinctly different character from that which had existed in Western Europe. Owing to the abundance of unclaimed land relative to the population, the peasants of Eastern Europe had always enjoyed a far greater degree of strength and independence in relation to the nobility than their Western counterparts. The demands of the Eastern nobility on the lower orders had always been tempered by the fact that the peasantry could at any time strike out on their own if their obligations became too onerous. In fact it was not until the final stages of feudalism, which saw the rise of the absolute state, that the peasantry became enserfed in Russia. Yet even with the draconian laws implemented by a ruthless state apparatus the Russian aristocracy found it difficult to control the peasantry completely. Right up until the abolition of serfdom in 1860 many peasant communities retained communal organizations and property relations on land that existed independently of the feudal order and aristocratic interference.6

Consequently the Russian and Eastern European peasantry were far more volatile and revolutionary than those of Western Europe, a fact underlined by a long history of peasant uprisings. The revolutionary traditions of the Russian peasantry, coupled with the persistence of communal organization and property relations in much of the Russian countryside, led many Russian revolutionaries to place their hopes in a peasant revolution that would allow Russia to miss out on capitalism altogether and go straight to a peasant based socialist society. For such revolutionaries Marx's advocacy of the central importance of the industrial proletariat in the revolutionary construction of a communist or socialist society made no sense in Russia where the industrial proletariat hardly existed, and where the overwhelming majority of the population were peasants.

Against such arguments the would-be Marxist revolutionaries argued that the development of capitalism was inevitable. There could be no short cut to a communist society through a peasant revolution. With the development of capitalism Russia and Eastern Europe would follow the same, inevitable course as that of England and Western Europe. An ever growing industrial proletariat would sooner or later emerge with sufficient strength to overthrow existing class society and usher in the era of socialism.

In the heat of the polemics between the Narodniks and the Russian Marxists, Marx's ideas became caricatured into a rigid determinism. The Marxists asserted the inevitability of capitalism and the emergence of a revolutionary industrial proletariat as a universal, scientifically determined, law; while the Narodniks denied its applicability to Russia and Eastern Europe. Consequently Marx was obliged to correct such misinterpretations, and this correction rested heavily on the question of landed property in the context of Russia and Eastern Europe.

In a letter to a Russian journal in response to an article misinterpreting his work Marx writes:

The chapter on primitive accumulation [in Volume I of Capital] does not pretend to do more than trace the path by which, in Western Europe, the capitalist order of economy emerged from the womb of the feudal order of economy. It therefore describes the historic movement which by divorcing the producers from their means of production converts them into wage earners (proletarians in the modem sense of the word) while it converts into capitalists those who hold the means of production...

Now what application to Russia can my critic make of this historical sketch? Only this:

If Russia is tending to become a capitalist nation after the example of Western European countries, and during the last years she has been taking a lot of trouble in this direction - she will not succeed without having first transformed a good part of her peasants into proletarians; and after that, once taken to the bosom of the capitalist regime, she will experience its pitiless laws like any other profane peoples. That is all. But that is not enough for my critic. He feels himself obliged to metamorphose my historical sketch of the genesis of capitalism in Western Europe into a historico-philosophic theory of the marche generate [general march] imposed by fate upon every people... (M&ESC, p. 353)

This refutation of rigidly deterministic interpretations of his ideas was then further elaborated in his preface to the Russian edition of the Communist

Manifesto, where Marx writes:

The Communist Manifesto had as its object the proclamation of the inevitably impending dissolution of modem bourgeois, property.

But in Russia we find, face to face with the rapidly developing capitalist swindle and bourgeois landed property, just beginning to develop, more than half the land owned in common by the peasants.

Now the question is: Can the Russian Obshchina [village community], though greatly undermined, yet a form of the primeval common ownership of land, pass directly to the higher form of communist ownership? Or, on the contrary, must it pass through the same process of dissolution as constitutes the historical evolution in the West? The only answer that is possible today is this: If the Russian Revolution becomes the signal for a proletarian revolution in the West, so that both compliment each other, the present Russian common ownership of land may serve as the starting point for a communist development. (MESW, p. 23)

We can see how, in order to intervene in the Russian debate so as to refute the rigidly deterministic interpretations of Capital, Marx has to reconsider the development of capitalism in the light of the specific conditions that pre-exist capitalism outside of Western Europe. This necessarily raises the question of the historical connections of landed property. The historical transition of capital into landed property, which was sketched in the final part of Volume I of Capital, now had to be viewed from a different perspective. Rather than drawing out the generalities of the subordination of landed property to capitalist relations, we can infer a necessary movement in Marx towards a consideration of the reverse perspective, the drawing out of the particularities of the subordination of capitalist relations to landed property. This is not merely evident in the case of Marx's intervention in the debate amongst Russian revolutionaries but is also evident in his dealings with other political issues of his time. Another example being his engagement with the theories of the American economist - Carey.

During the 1850s Carey emerged as an influential economist in both socialist and bourgeois circles. He was one of the principal proponents of the view that the evils of capitalism that were so apparent in Europe were due to the persistence of feudalism. In the New World of the Americas capitalism could develop in its pure form, free from the contamination of feudalism, and would be shown to be an essentially harmonious economic system unencumbered by class antagonism. This view was appealing to many workers and socialists fleeing from political persecution in Europe, and was to serve as an important theoretical influence on the development of the

radical American populist movement that was to emerge in the following decades. As such it was an important theoretical obstacle to the development of a truly socialist movement among the American working class which, as Marx recognized, was vital, given the capitalist potential of North America, for the international workers' movement.

Carey's economic theory centred on an attack on the orthodox theory of rent that had been inherited from Ricardo. Ricardo's theory of rent, by assuming diminishing marginal returns to agricultural production, had concluded that as capitalist production progressed rents would rise, squeezing profits. It thus implied a growing class antagonism between landowners and capitalists. Carey, however, argued that, from the experience of agricultural production in America, the reverse was true. Colonial farmers would at first only farm the most accessible land which was often the least fertile. Only after the development of better transport and communications would the colonial farmer come to cultivate the less accessible but more fertile lands. Consequently the returns to agricultural production far from falling, would rise at the margin as more land was cultivated. This tendency for rising marginal returns to land would be further accentuated by improvements in the land brought about by better farming methods. Thus Carey was able to conclude that the development of agricultural production under capitalism would lead, not to rising rents and greater mass antagonisms, but falling rents and harmony between the classes. In fact insofar as the improvement of land leading to the development of better farming techniques predominated over the shift towards more fertile land then Carey regarded rent as little more than interest on the fixed capital invested by past farming methods in the land.

Marx saw Carey's rent theory as the reverse side of Ricardo's one-sided theory of rent Like Ricardo, Carey had failed to grasp rent as part of a social relation that emerges with modem landed property; instead he could only explain rent in terms of the relative fertility of the soil. For Marx the difference between America and Europe was not that between a pure and impure capitalism, but was due to a different historical transition of capital into landed property. In Europe capital had to transform the traditional feudal relations of landed property into the form of modem, capitalistic landed property. In America and the New World, once the native population had been decimated, capitalistic relations of modem landed property had to be created out of nothing. This process was still unfolding; once it reached its completion it would be essentially the same as that which had emerged in capitalist Europe. As Marx puts it in a letter to Engels in 1869:

As a harmonist, Carey first proved that there was no antagonism between capitalist and wage-labourer. The second step was to prove harmony between landowner and capitalist, and this is done

by taking land ownership where it is still in an undeveloped state and representing this as normal. The great decisive difference between the colonies and the old civilised countries, is that in the latter the mass of the population is excluded from the land and soil - whether fertile or infertile, cultivated or uncultivated - by a system of landed property, while in the colony land can, relatively speaking, still be appropriated by the cultivator himself - this fact must not be mentioned whatever happens. It must have absolutely nothing to do with the rapid development of the colonies. The disagreeable 'question of property' in its most disagreeable form, would indeed knock harmony off its feet. (M&ESC, p. 273)

So here, with Marx's confrontation with Carey, we again find Marx, in considering the context of a pressing political issue of his day, having to examine the particularity of the becoming of capital which necessarily leads to an analysis of the particular historical connections of landed property. Once more, and perhaps even more clearly than in the case of Russia, we see how Marx, in showing the specific social and political implications of the emergence of capitalism in the particular case of North America, is led back to examine how this particular development of capitalism is shaped and given its specificity by, in this case, the absence of pre-capitalist landed property relations from which capital must form the relations of modem landed property so as to presuppose wage-labour.7

Thus again we find that Marx comes to emphasise the particular subordination of capital to landed property, rather than the general subordination of landed property to capital that served to illustrate his account of the genesis of capitalism in Capital, and which is the obverse side of the formation of modem landed property. So from these two examples of Russia and North America, not to mention various other examples where Marx comes to consider the particular development of capital, it would appear that there was far more to the historical connections of landed property than that which Marx came to include within the pages of Capital.

In Capital we find the historical connections of landed property only insofar as they demonstrate the need for capital to presuppose historically the presence of wage-labour. In Capital Marx is only concerned with the general process of the becoming of capital and thus he merely emphasises the generality of the subordination of landed property to capital in the formation of modem landed property. As a result we find that side of the historical connections of landed property that concern the particularity of the becoming of capital - how capitalism was shaped and subordinated to pre-capitalist forms of landed property - is excluded from Capital and only emerges when Marx seeks to understand certain contemporary issues.

It is not unreasonable to assume that the historical connections of landed properly would have formed a substantial part of Marx's intended book on landed property. Therefore we may suggest contrary to the conclusions reached by Rosdolsky, that the book on landed property was not for the most part incorporated into the body of Capital; rather it was only those parts that were essential for the presentation of Marx's critique of political economy that found their way there. Of course it may be argued that these excluded parts of the book on landed property that we have identified do not concern Marx's general theory of capitalism, only its application, and were therefore, as Rosdolsky suggests, nonessential. But what is important for us at this point is what this exclusion of material from the book on landed property suggests for the book on wage-labour. If Rosdolsky's conclusions were wrong and the book on landed property was not entirely incorporated into Capital could this not be also true of his similar conclusions with regard to the book on wage- labour?

This would have important implications for the understanding of Marx and Capital and is the question that we shall now turn to in the following section of this chapter.

1. *The book on wage-labour*

In accordance with the original plan there is no separate analysis of the wage in the Grundrisse since this was intended for the book on wage-labour. Yet at several points during the Grundrisse Marx touches on issues related to the theory of wage-labour and thereby gives an indication of what he may have intended to have included in his proposed book on wage-labour. From a careful reading of such indications Rosdolsky identifies several interrelated themes which we may list as follows:

1. How are wages determined by the value of labour-power?
2. The different forms of the wage (i.e. time rates, piece rates etc.)
3. The reduction of skilled to unskilled labour

Rosdolsky concludes that all but the last of these themes may be found in Volume I of Capital, principally in the four chapters that make up Part VI that is suitably entitled 'Wages'. The first theme finds its way into the first of these chapters: chapter 19 The transformation of the value (and respectively the price) of labour- power into wages'. The second theme is then dealt in the two subsequent chapters: chapter 20 Time wages', and chapter 21 Piece wages'. It is only the final theme concerning the reduction of drilled to

unskilled labour that Rosdolsky is unable to find a distinct home for within the three volumes of Capital.

Yet, as Rosdolsky points out, this final theme is merely a sub-problem of the reduction of concrete labour to abstract labour which is dealt with in Part I of Volume I and can be worked out on that basis. From this Rosdolsky concludes that all the themes that were indicated as being part of the book on wage-labour in the Grundrisse, with the exception of the rather minor theme concerning the reduction of skilled to unskilled labour, were for the most part incorporated within Capital. A few aspects of these themes, and a few minor themes that were perhaps not mentioned in the Grundrisse, may have been omitted or else escaped attention but the book on wage-labour, like the book on landed property, was, according to Rosdolsky's conclusions, abandoned and its essential contents incorporated into Capital.

Yet as Rosdolsky readily admits:

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 the subject. (Rosdolsky, 1977, p. 57)

It is only possible to go so far in attempting to ascertain Marx's ultimate intentions. In fact it is perhaps reasonable to assume that Marx had only a broad and shifting overview of what he would include in the book on wage- labour. Consequently it is necessary to identify and follow the logical trajectory of Marx's thematic. For Rosdolsky, Marx's thematic culminates in the three volumes of Capital. The Grundrisse being exclusively the rough draft for this ultimate work. This tends to lead Rosdolsky into a position where he reads into the Grundrisse, and Marx's thematic as a whole, the objectivist perspective that arises from the provisional closure within Capital imposed by his problematic of political economy. This becomes most apparent when Rosdolsky seeks to find the overall purpose of the book on wage-labour in a statement on the matter that arises within the Contribution.

As Rosdolsky quotes:

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.' (Rosdolsky, 1977, p. 57)

This quote from the Contribution comes at the end of a section entitled: 'Historical notes on the analysis of commodities' in which Marx gives a brief summary of the history of political economy and the labour theory of value

which he was to greatly expand upon in the three volumes of his Theories of Surplus-Value. At the conclusion of this section Marx notes how each of his three proposed books on, capital, landed property and wage-labour, would serve to address the contradictions of classical political economy regarding value and surplus-value. With regard to wage-labour he states:

Since the determination of exchange-value by labour-time has been formulated and expounded in the clearest manner by Ricardo, who gave to classical political economy its final shape, it is quite natural that the arguments raised by economists should be primarily directed against him. If this polemic is stripped of its mainly trivial form it can be summarised as follows: One. labour itself has exchange-value and different types of labour have different exchanges-values. If one makes exchange-value the measure of exchange-value, one is caught in a vicious circle, for the exchange- value used as a measure requires in turn a measure. This objection merges into the following problem: given labour-time as the intrinsic measure of value, how are wages to be determined on this basis.

The theory of wage-labour provides an answer to this. (Contribution, p. 61)

Here we see, as Rosdolsky does, Marx identifying the theme of the determination of the exchange-value of labour - that is, the wage - by the value of labour power as an important and necessary part of the book on wage-labour. Important and necessary, as our lengthier quote emphasises, in that it develops Marx's labour theory of value against the perspective of bourgeois political economy. But is this confrontation with the errors of political economy the full extent of a Marxian theory of wage-labour or is it merely one of its tasks?

As we have already seen, there is ample evidence from the Grundrisse that Marx was equally concerned with the subjective side of the wage relation that becomes obscured by the objectified categories of classical political economy; that is, of the worker as subject, not merely subordinated to capital as labour- power and then subsumed as variable capital, but as a potentially revolutionary subject That this was also to have been included within the book on wage-labour may perhaps be inferred from the following, where Marx considers the formal freedom and equality of the worker compared with the slave briefly in the Grundrisse before deferring it to a future consideration of wage-labour:

In the slave relation, he belongs to the individual, particular owner, and is his labouring machine. As a totality of force - expenditure, as

labouring capacity he is a thing [Sache] belonging to another, and hence does not relate as subject to his particular expenditure of force, nor to the act of living labour. In the serf relation he appears as a moment of property in land itself, is an appendage of the soil, exactly like draught cattle. In the slave relation the worker is nothing but a living labour machine, which therefore has value for others, or rather a value. The totality of the free worker's [i.e. the wage worker's] labour capacity 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. This to be developed later under wage labour. (Grundrisse, pp. 464-5)

As we shall see in more detail in chapter 8, capital must presuppose the wage worker as a free subject, equal in the realm of exchange, before appropriating the worker's labour in the production process. Labour has to be repeatedly alienated from the worker within each cycle of production in which the worker, as a presupposed free subject, becomes subsumed by the objective laws of the dialectic of capital. Yet because the worker must repeatedly re-emerge as a free subject before each production cycle, the worker has the potential for revolutionary subjectivity; the potential to disrupt the movement of capital's dialectic through the eruption of the counter-dialectic of class struggle. Can this been seen as an essential missing theme of the book on wage-labour?

Here in the Grundrisse, Marx is in the process of carefully unravelling the dialectic of capital through his critique of political economy. Worker's subjectivity is to appear here as a mere presupposition of capital. Yet here we see the possibilities and themes that lie beyond the dialectic of capital explicitly deferred to the question of wage-labour. Do we have an indication of what might have been in the book of wage-labour?

Because Rosdolsky sees Marx's thematic culminating in Capital he can only see that which was later incorporated into its three volumes as having any importance. He therefore concludes that the determinadon of the wage by the value of labour-power is a central theme of the intended book on wage- labour, but he is unable to recognize the importance that the quesdon of working class subjectivity may have played in this proposed book since this lies beyond the limits of the problematic of political economy that is articulated in the three volumes of Capital.

Yet as Negri argues, while the question of the subjectivity of the worker lies beyond the problematic of Capital it is still implicit within it. This is nowhere more so than in Marx's theory of surplus-value which points beyond itself to working class subjectivity (and consequently to the missing parts of the book on wage-labour):

That necessary labour and its creativity are hidden under the form of the wage - this is what we leam by dwelling on the theory of surplus-value. This reality which is hidden - but still unique and powerful as a productive force - is found everywhere the law of surplus-value operates. It joins in all the law's movements. This means that in order to attain working class subjectivity, in order to illuminate its role, we must above all explore the wage-form in order to break the envelope that hides the vitality of value, that pumps out its subsistence and gives it the appearance of the productivity of capital. (Negri, 1991, pp. 128-9)

So, while we may concur with Rosdolsky that important themes were incorporated in to Capital, we may suggest that these were not necessarily the only or essential themes that would have belonged to the book on wage- labour. To further substantiate this suggestion we shall now look a little more closely at both how and why these themes that Rosdolsky identifies were included in the first volume of Capital to see to what extent they point beyond themselves towards the question of the counter-dialectic of class struggle.

As we saw above, in the Contribution Marx saw the problem of the determination of wages by the value of labour-power as bound up with the problem of overcoming the shortcomings of the classical labour theory of value. By distinguishing wages as the price of labour-power, rather than as the price of labour, it was possible for Marx to break out of the vicious circularity which, by making the wage the 'exchange-value' of labour, made exchange-value the measure of exchange-value'.

But this distinction was not only important for the development and clarification of Marx's labour theory of value, it was essential for the development of his theory of surplus-value. As we shall see in chapter 8, it was only through his distinction between labour-power and labour that Marx was able to construct his theory of exploitation. Indeed as Marx himself was to remark, this distinction was one of his most important advances over the classical political economists. Because of this it was vital for Marx to demonstrate the determination of wages by the value of labour-power in order to complete his theory of surplus-value that we find set out in Parts IV and V of Volume I of Capital.

The problem of the determination of wages by the value of labour-power is not simply a quantitative problem. If it had been there would have been little cause for confusion within the ranks of classical political economy. The problem is that the wage-form serves to disguise this determination. With the primary wage-forms, the worker appears to be paid, not in accordance with the cost of her subsistence, nor even in accordance with some social average

cost of subsistence, but in terms of the amount of labour the worker has performed or has been contracted to perform. Thus wages are paid according to the time worked, as with the form of time wages, or in terms of the amount produced, as with the form of piece wages. As a consequence, it appears that wages are the price, not of labour-power, but of labour.

The essential determination of wages by the value of labour-power only becomes apparent once the limits of a particular wage-form are transgressed. Thus in the chapters on the wage in Volume I we fmd Marx considering the transgression of both time wages and piece wages that emerge out of the contradictions that arise between individual capitals and capital-in-general. Such contradictions, however, are strictly outside the theoretical development that we fmd in Volume I. As we shall show in more detail in chapter 11, and as Rosdolsky argues, in Volume I Marx is principally concerned with capital- in-general. As such individual capitals are only considered insofar as they act as capital-in-general. However, Marx does make numerous digressions from this methodological constraint, the most significant being his discussion concerning the limits to the working day, which he considers at length in chapter 10. Before considering the transgressions of the wage-forms we should perhaps illuminate it by first considering this closely related digression that we find in chapter 10.

As Marx argues through his theory of the production of absolute surplus- value, the capitalist is driven to extend the length of the working day so as to extract as much surplus-value as possible. But there are obvious natural and social limits to the working day. If nothing else, the worker must be able to sleep and replenish her capacity to work if she is to continue to work, as well as have time to cany out all the various tasks necessary for the survival both of herself and her family. But the extent of such limits to the working day appear different from the viewpoint of the individual capitalist than they do from the perspective of capital-in-general.

For capital-in-general what is important is the reproduction of the labour- power of the working class as a whole. It needs a healthy working class that is able bring forth a future generation of healthy and relatively educated workers. From this perspective, therefore, it is not only necessary that workers are adequately paid but that they are not ground down by excessive work. Hence social capital comes to define a social limit to the working day. The individual capitalist, however, is only concerned with how much surplus- value she can extract out of any individual worker. If she wears out workers by overworking them this is of no concern to her, so long as she can hire new workers to replace them. Indeed, what happens outside of her factory gates is not necessarily of any immediate concern to her. As a result there may emerge a conflict of interest between capital-in-general and the individual capitalist, in which the individual capitalist, driven by competition, may seek

to transgress the social limits to the working day in order extract extra surplus-value.

Marx considers this question in great detail; he illustrates it by a brief historical account of British legislation concerning the length of the working day. Marx shows that in the early days of capitalism in Britain the main aim of legislation concerning the working day was to extend the working day against the recalcitrance and traditions of the labourers. However, as industrial capitalism became established from the late eighteenth century onwards, bringing with it the factory system, the power of individual capitals over labour increased dramatically, while the rapid expansion of capital began to seriously deplete the reserves of labour-power. As a result, factory legislation began to shift towards limiting the length of the working day in order to impose the general interests of capital against the individual capitalist.

Although this digression departs from the strict methodological constraints of Volume I, it still remains for the most part within the critical perspective of capital. Wage-labour is taken to be completely subordinated to the logic of capital, appearing at most as an inert obstacle to the extension of the working day. The main question being the relation between the individual capital's interest in transgressing the social limits to the working day and the means through which this transgression is opposed by the state acting to impose the general interests of capital as a whole for a healthy and plentiful working class able to work to the full.

However, at the end of this digression Marx acknowledges that it is not only the imposition of the general interests of capital that sets limits to the working day but also the purposeful political action of the working class itself. Indeed, as Marx seeks to stress, while it was in the general interest of the capitalist class to impose a limit on the working day through factory legislation, the bourgeois state could not be relied upon to pass and then enforce such legislation against the special pleading of various particular capitalist interests, without concerted political pressure from the working class.

In fact Marx goes as far as to conclude:

The creation of a normal worldng-day is...the product of a protracted civil war, more or less dissembled, between the capitalist class and the working class. (Capital I, p. 299)

Here Marx begins to explicitly raise the theme of class struggle. As such he steps well beyond the perspective of the dialectic of capital that is central to his theoretical line of development in Capital. What is the reason for this?

At the time of writing the issue of the length of the working day was at the

lop of the agenda for the emerging international workers' movement, and as such it was a question that Marx could not simply omit from Capital merely for methodological reasons. But what is more, because Marx in his political involvement in the international workers' movement had sought to press home the importance of working class political action in securing basic reforms, to have simply remained within the perspective of the dialectic of capital would have implied that there was no need for working class political action over the question of the working day since it was ultimately in the general interest of capital to impose it. Marx could not allow such a conclusion to be drawn from what was to be his most authoritative work. He had to make clear the importance of working class action, and hence raise the question of class struggle, even if it meant departing from the strict theoretical line of development at work in Capital.

Yet Marx does not dwell long over the question of class struggle over the length of the working day. Having raised the question in the conclusion of his analysis of the limits to the working day Marx swiftly returns to his principal line of theoretical development - the theory of the production of surplus- value. Thus we find the this tangential digression somewhat truncated. A fate similar to that which befalls his digression concerning the transgression of the wage-forms that we find in Part VI of Volume I.

As with his digression concerning the transgression of the social limits to the length of the working day, Marx considers the transgressions of the limits of the wage-form that arise from the contradiction in interests between capital-in-general and the individual capital. However, as we shall see, in opening out onto the question of class struggle it is a digression that is ultimately sustained by an imperative that is more theoretical than political.

As we have noted it is in the general interest of capital that workers are paid a wage sufficient to ensure the reproduction of the working class as a whole; that is, it is necessary that the wage is determined by the value of labour-power. However, the interests of the individual capitalist may not coincide with this general interest. Indeed, the individual capitalist may seek to push wages below the value of labour-power thereby exposing the ambiguities of the particular wage-form.

In the case of time wages in which the capitalist is contractually bound to pay a given wage rate for a specified amount of time worked, for example an hourly rate, then wages can be forced below the value of labour-power by reducing the hours worked by the workers. To illustrate this Marx uses a contemporary example of the revolt of London building workers. As Marx relates, this revolt arose against the employers' practice of varying the amount time each week that they would hire workers in order to accommodate fluctuations in trade. This meant that when there was a downturn in construction the employers could reduce their wage bill by putting their

workers on short time. But such short time working meant that the workers could not earn enough to sufficiently cover the cost of reproducing their labour-power over the week as a whole. Thus although wage rates remained constant, in periods of short time working, the total wages paid over a week would fall short of the weekly value of the building workers' labour-power.

Here, with the transgression of the wage-form of time wages, the essential determination of wages by the value of labour-power, rather than by work done, becomes exposed.

The individual capitalist must necessarily impose through the wage-form a link between the payment of wages and labour so as to enforce the appropriation of surplus-labour. This is necessary because the worker as a subject is both capable of resisting this imposition of work and susceptible to incentives. If the worker was merely an object of exploitation - a mere beast of burden - there would be no need for the wage-form to impose a link between payment and labour; the worker could be paid directly the means of her subsistence. Yet workers have needs that must be satisfied if they are to reproduce themselves as workers. So, ultimately, however much the wage is linked to the labour of each individual worker, wages in general must be sufficient to reproduce the labour-power of the working class as a whole, and this becomes clear once workers begin to struggle collectively. A point driven home by the class revolt of the London building workers, and one that is then further developed in relation to piece wages in chapter 21.

With time rates the worker appears to be paid in accordance with her labour measured in terms of labour-time. The longer she works the more she is paid. The problem for the capitalist is that, although time wages encourage the worker to work longer, they do not ensure that this actual concrete labour-time is of sufficient intensity. This problem can be simply solved by introducing piece rates in which the worker is paid in accordance with what she herself produces. Thus the harder she works the more she is paid.

Yet as with time wages, piece rates are ultimately determined by the value of labour-power. Thus, just as the hourly rate of pay times the number of hours worked a week must be sufficient to meet the weekly value of labour- power, so the piece rates must be such that the worker can produce enough in a week to ensure a weekly wage sufficient to reproduce her labour-power. Indeed, piece rates are calculated in terms of what the average worker can be expected to produce in a given period to ensure she is paid the value of her labour-power.

However, this only becomes clear once we consider the iretividual capitalist's drive to transgress the limits of this wage-form by attempting to force wages below the value of labour-power and the workers' attempts to raise wages above the value of labour-power. With piece rates the individual worker is able to raise her wages above the value of her labour-power by

working harder than the average worker. Yet, as Marx observes, the more that individual workers attempt to do this then the higher the average intensity of work becomes and the lower piece rates fall. As a result individual workers, by seeking to raise their own individual wages above the average, only serve to reduce the wage of the average wage below the value of labour- power. The capitalist is able to set worker against worker.

Yet, as Marx points out, this individualistic and self-defeating scramble to raise wages by working harder can be resisted by the collective action of the workers in setting a normal intensity of working amongst themselves. By collectively contesting the imposition of a greater intensity of work, through the imposition of piece rates, and by insisting they are able to earn enough so they all can meet their needs, the workers come to expose the determination of wages by the value of labour-power.

Indeed, as Marx illustrates with the example of the 'great ribbon workers' strike' of 1860, the workers may seek to turn piece rates to their advantage by insisting that they are paid for the increased productivity of their labour due to the introduction of new technology or methods of production. In the face of such demands the employers are likely to drop all pretence that wages are paid according to the amount each worker produces and revert to time wages. This change in the form of the wage may then, as with the 'great ribbon workers' strike' provoke further industrial conflict

Here then, with the struggle over the wage-form, Marx's digression opens out into a discussion of class struggle over the wage and its determination. Yet, like his digression concerning the length of the working day, it is a discussion that is soon truncated as Marx is obliged to return to his principal line of theoretical development. As is evident throughout Capital, this line of theoretical development takes the working class as simply the inert object of the dialectic of capital. It is because of this that, for most of his exposition in Capital, Marx is able to take the value labour-power as a fixed datum. Indeed Marx in this regard often comes close to the position of the classical political economists who, in seeing the working class as little more than cattle, saw the wage as being defined by a simply biological level of subsistence. Here, however, in order to examine the wage-form, Marx has to raise the importance of class struggle in determining the wage and the value of labour-power. Indeed it is only through the struggle of the wage-form that the determination of the wage by labour-power rather than by labour as such becomes clear. As a result, Marx's insistence that the value of labour-power is a socially determined datum, that it is the sediment of the history of class struggle, briefly becomes explicit

But all this is tangential. It points beyond Capital, and for this reason Marx's discussion necessarily becomes truncated at this point Marx only includes that which is necessary for the development of his exposition in

Capital. To this extent we can agree with both Lebowitz and Negri when they argue that there was more to the book on wage-labour than which we find incorporated into Capital.

That Marx had not entirely abandoned the book on wage-labour, or at least that, contrary to Rosdolsky's conclusions, there remains a substantial part unincorporated into the main text of Capital is indicated in the very opening of chapter 20 where Marx suggests a special study on wage-labour beyond Capital itself:

Wages themselves again take many forms, a fact not recognisable in the ordinary economic treatise which, exclusively interested in the material side of the question, neglect every difference of form. An exposition of all these forms however, belongs to the special study of wage labour not therefore to this work. (Capital I, p. 508)

If Rosdolsky's conclusion is wrong and only those parts of the book on wage-labour that were essential for the elaboration of Marx's theory of surplus-value were included in Capital, leaving a substantia] part of it unwritten, then what would have been in these excluded parts? Is it not possible that the tangential development of the question of class struggle that we find truncated in the two digressions on the wage and the length of the working day in Marx's theory of surplus-value would have been taken up these excluded parts of book on wage-labour? Can we not concur with Negri when he asserts that the:

...theme of the *book on waged labour* is this and this alone: *from the wage to the subject, from capital relation to the class struggle.* (Negri, 1991, p. 134)

Both Negri and Lebowitz have sought to explore in great detail the missing themes of the book on wage-labour. Such a task need not be repeated here.8 What is important for us is what such themes indicate in terms of the closure of Marx's Capital. It is here, in digressions from the exposition of his theory of surplus-value that concern the wage, where Marx introduces themes that would have originally belonged to the book on wage-labour, that we contend that Marx comes closest to opening out into an elaboration of the counter- dialectic of class struggle which is so evidently suppressed in the exposition of the objective laws of the dialectic of capital that is pursued in the three volumes of Capital. And it is here, therefore, that we can see, what we shall term, the first part of the closure within Marx which emerges with the problematic of political economy.

So, we have seen that not only is the first fold of the closure within Marx reflected in the 'problem of the beginning' that is so evident in the Introduction to the Grundrisse, but that it is also reflected in the change in the outline of Marx's original plan of work. As we have sought to show, in abandoning the original plan for three distinct and separate books on capital, landed property and wage-labour, Marx did not, as Rosdolsky concludes, abandon the two books on landed property and wage-labour and incorporate all their essential contents into the three volumes of Capital. But rather he disassembled these two books and incorporated only those parts that were essential for his exposition of the objective laws of movement of the dialectic of capital. Thus we have suggested that substantial parts of these two abandoned books remained excluded from Marx's Capital in its final form.

In the case of the book on landed property we find, although the logic connections of landed property to capital are included towards the end of Volume III in the form of the theory of ground rent, the historical connections of landed property to capital are only included insofar as they illustrate the general historical development of capitalism. Those parts that would have illustrated the particular development of capitalism in various conditions and circumstances remain excluded from the three volumes of Capital although it would appear that they would have formed a substantial part of the book on landed property.

This in itself is perhaps hardly surprising since any general theory of capitalist society would at some point have to abstract from the concrete particularities and contingent factors of capitalist development in various countries and regions of the world. What is important about this disasscmblemeni of the book on landed property is the similar fate it suggests for the book on wage-labour.

In the case of the book on wage-labour we find that only those pans in which wage-labour merely acts as an objective limit to the accumulation of capital are included in the three volumes of Capital. The working class only enters in the form of the objectified logical categories of labour-power and variable capital; all trace of working class subjectivity and class struggle arc expunged. Yet this only concerns the logical connections of wage-labour to capital. If the historical connections of landed propeny mark the coming to be of capital, then the historical connections of wage-labour must mark the passing away of capital, but such connections are virtually absent from the text of Capital. If they were to have been in the original book on wage- labour then they remain excluded.

Here, in the case of the book on wage-labour, we see not so much an abstraction that brings out the general over the particular but one that closes

off the subjective from the objective that separates the dialectic of capital from the counter-dialectic of class struggle. It is with these omitted parts of the book on wage-labour that we see what lies beyond the closure within Capital and what makes Marx incomplete.

It may be asked: what happened to these omitted parts of these two 'abandoned books'? Such a question lies beyond the scope of this work but it would seem reasonable to surmise that these omitted parts would have found their way into the subsequent books on the state and foreign trade which seem not to have been entirely abandoned. It can be imagined how the historical connections of landed property would have played a role in elaborating the differing conditions that would lead to trade between various capitalist economies. It can also be imagined how the omitted parts of the book on wage-labour would have fitted into the book on the state insofar as the power of the working class to impose its subjectivity on the free movement of capital would demand the use of state power to sustain and mediate capital accumulation.

Having seen how Marx came to make his closure in his broad thematic by focusing on the problematic of political economy, and having seen how this closure becomes reflected and revealed in the theoretical movement from the Grundrisse to Capital, we shall now, in the following chapters, see how this closure is established and consolidated within Capital itself.

Notes

1. See Red Notes (1979, 1981)
2. There has been considerable debate concerning 'the problem of the beginning' and its relation to Marx's methodology. Along with its consideration in Rosdolsky, Negri (1991) and Nicolaus’s Foreword to the Grundrisse, other notable contributions have included Banaji (1979) and Kay (1979).

3 For a succinct and critical analysis of the opposition of Marxism and

anarchism in the classical workers' movement, see Debord (1967).

1. The question of surplus-proflts is considered in more detail in our examination of Volume III of Capital in chapter 10.
2. For an examination of 'the question of Russian landed property' and its implications for the transition to communism, see the collection of articles in Shanin (1983).
3. For a detailed examination of the distinct nature of East European feudalism and its implications for the subsequent development of capitalism, see Anderson (1974).
4. Two other examples that we could have considered were the Irish

landed question and the question of the Asiatic mode of production. Indeed, in the immediate period following the publication of Volume 1 of Capital Marx became preoccupied with the Irish question, which he saw as resting on the peculiar Irish relations of landed properly. For Marx, the resolution of the Irish question was a necessary prerequisite for the further advance of the British working class movement at that time, and hence an understanding of its origins and causes, that centred around the question of land, were of vital political importance at that conjuncture.

8. See Negri (1991) and Lebowitz (1992).

**8 The enactment of closure within Capital: Volume I**

**Introduction**

In the previous two chapters we saw how, in the historical context and intellectual climate of the mid to late nineteenth century, Marx, in adopting the problematic of political economy, came to impose a provisional closure within his broad thematic. We traced out how this closure became reflected in the theoretical movement between the Grundrisse and the three volumes of Capital, both in terms of the 'problem of the beginning', and in the change in outline of Marx's proposed plan of work. We shall now, in the following three chapters, examine in detail how this closure comes to be consolidated within the text of Capital itself, through a critical analysis of each of its three volumes. In this analysis we shall seek to tease out those points within the text that are tangential to Marx's principal line of theoretical development, and which thereby point beyond its closure. In doing so we shall find that this closure within Capital is not merely provisional but two-fold. We shall begin our analysis in this chapter with the examination of Volume I.

Since Volume I is by far the most important of all the three volumes of Capital, we propose to examine it in particular detail. As a consequence this rather lengthy chapter will be divided into two parts. The first part will deal with Marx's theory of value, which is developed in Parts I and II of Volume I of Capital, while the second part will deal with Marx's theory of the production of surplus-value and the accumulation of capital, which is set out in the remaining six parts of Volume I.

We have already seen how, by starting with the commodity, Marx comes to close off the question of the subjective, and with this the counter-dialectic of class struggle. We shall not repeat this line of argument here. Instead we shall seek to go a step further. We shall seek to show how, through the dialectical derivation of the category capital from that of the commodity, Marx, from the very beginning of his analysis, poses capital as a unity in

opposition whose very possibility contains the inherent possibility of its rupture and crisis. Yet in order to develop his analysis, in order to demonstrate the persistence of capitalism, Marx, we shall find, is obliged to provisionally resolve the contradictions of his categories into an overall unity. Thus although at each step Marx comes to pose, at least implicitly, the question of rupture and crisis, he is also logically obliged to defer it. It is with this repeated deferral of the question of crisis that we shall come to identify as the second part of the two-fold closure that we find imposed by Marx's critique of political economy.

In the second part of this chapter, where we move on to Marx's theory of the production of surplus-value and the accumulation of capital, we shall return once more to the first phase of closure - the closing off of the subjective - to see how it is sustained in this, the most fundamental part of Capital. We shall see how this closure is consolidated in Capital through what we shall term the attenuation of Marx's analysis of capitalist production from that of an ontological process of human alienation to that of a quantifiable and objectified process of exploitation. An attenuation that becomes readily apparent once we compare Marx's theory of surplus-value as it is presented in the final version of Capital with its corresponding investigation in the earlier drafts such as the Grundrisse.

\* \* \*

1. **The commodity-form and the abstract social labour theory of value**

The wealth of those societies in which the capitalist mode of production prevails, presents itself as 'an immense accumulation of commodities', its unit being a single commodity. Our investigation must therefore begin with the analysis of a single commodity. (Capital I, p. 35)

Here, in the opening sentences of Volume I, Marx unequivocally takes the analysis of the commodity as the starting point for his critique of political economy. We have already examined in detail how Marx came to take up this point of departure and the implications this had for the development of his theoretical project. We shall now begin our examination of Volume I by briefly considering how Marx came to formulate this analysis.

At first sight, what distinguishes the material basis of capitalist society from that of all preceding forms of society is not so much the sheer volume and variety of its tangible wealth, although this is particularly conspicuous, but the specific social form that this wealth takes. Whereas in previous societies particular types of wealth have often taken the form of commodities, it is only in capitalist society that the commodity is the general and all pervasive form of wealth.

If the wealth of a society is to generally take the form of commodities, then it is necessary that this wealth is divided up into distinct and separate objects that may be appropriated as the exclusive private property of individuals. Thus, just as bourgeois society, at first sight, appears as little more than a simple aggregation of independent and atomized individuals, the total wealth of this society appears as a simple aggregation of disconnected commodities.

Yet all this is only the semblance of the capitalist economy. If we follow Marx, and indeed to some extent the classical political economists, below this surface appearance we find that, like any other society, the wealth of capitalist society is produced by a social division of human labour. In fact, as Adam Smith had shown, the increasing volume and variety of wealth produced within the capitalist economy is a direct result of the ever developing complexity of its underlying social division of labour.

On the one side then we find an immense increase in the social complexity and interconnectedness of the production of wealth that accompanies the capitalist development of forces of production; on the other side we find that this wealth is appropriated by the mass of private and atomized individuals. Thus we find that the social character of capitalist production stands in stark

opposition to the private appropriation of the wealth that it produces in the form of commodities. The question which arises is: how is this opposition reconciled? What makes the capitalist economy possible?

If wealth is to appear in the form of commodities it must be produced as commodities. Thus the capitalist economy emerges as an economy based on generalized commodity production. In such an economy the wealth of society is produced by disassociated producers, each playing a particular part in the total social division of labour by producing a particular aspect of the total wealth of society. Yet the wealth that each of these producers produce is not produced for its own sake, still less for the sake of society as a whole, but for what it can command for its producer in exchange . Each of these disassociated producers, having produced a particular kind of wealth in the form of a specific commodity, seeks to exchange the wealth they have produced for other kinds of wealth that they require for future production, or for their own personal needs or wants.

As a consequence the social division of wealth is not constructed according to some social plan or custom but is rather constituted through the mutual acts of exchange that occur between these disassociated commodity producers. It is only through the exchange of commodities that each producer comes to be validated and recognized as a part of the total social division of labour; and it is only through such exchange that what each of these producers have produced becomes recognized and validated as part of the total wealth of society. Yet this exchange of commodities, which Ls necessary for both the reproduction and persistence of the capitalist economy as a generalized commodity economy, cannot be a simple random or accidental exchange. It must be, to some degree, regular and determinate. It is only when the general exchange of commodities possess such regularity and determinancy that each of the disassociated commodity producers can have a reasonable degree of certainty that the commodities which they are about to produce will be exchangeable for the right kind and quantity of commodities which they require. Without this degree of certainty the generalized production of commodities becomes untenable.

So we find that the opposition between the social nature of production, which stems from the social division of labour and which becomes ever more developed under capitalist production, and the disassociated commodity form that the wealth that it creates assumes, can only be resolved and reconciled by the regular and determinate exchange of commodities. But this only serves to raise a further question: given that a generalized commodity economy is not static - and it is quite evident that capitalist economies are far from being static - how is such determinate and regular exchange possible? As Marx recognized, the answer to this question lies within the commodity-form itself; and it was in answer to this question that Marx opens Volume I with his

analysis of the commodity. i) The commodity-form

For Marx, the commodity first appears as the unity of two opposed aspects: exchange-value and use-value. As a simple product of labour the commodity immediately appears in its tangible form as a set of physical attributes that, having been fashioned from nature by a set of concrete labours, constitute it as a socially recognized use-value. Yet for the producer/seller of this commodity these attributes are of no immediate concern except for the fact that they may serve to command other commodities with other use-values in exchange. For the producer/seller of the commodity what is of interest is not so much the use-value of the commodity - in fact for her the commodity is not a use-value but a non-use-value - but the commodity as an exchange-value: that is, its potential to be exchanged for what it is not.

The exchange-value of a commodity stands in mutual opposition to its use- value and this opposition can only be overcome through the act of exchange. With exchange the use-value of the commodity becomes realized in the hands of its recipient owner who consumes it; while the exchange-value of the commodity becomes realized when its producer/seller obtains her desired other use-values.

Yet the question remains: what is it that allows the regular and determinate exchange of this commodity with other commodities? Marx argues that if a commodity is to exchange with other commodities then, to the degree that such an exchange is not random or accidental, the commodity must have something that is in common with all other commodities with which it may exchange. It must have something that makes it commensurate with other commodities. So what is this common something?

For Marx this common something cannot be any of the 'natural' or physical properties that serve to constitute the commodity's use-value since it is these very properties that act to differentiate one particular kind of commodity from another. While the different use-values that arise from the varying physical and natural' attributes of different kinds of commodities make commodity exchange necessary they do not serve to make systematic commodity exchange possible. As Marx points out:

This common 'something' cannot be either a geometrical, a chemical, or any other natural property of commodities. Such properties claim only our attention only insofar as they affect the utility of those commodities, make them use-values. But the exchange of commodities is evidently an act characterised by a total abstraction from use-value. (Capital I, p. 45)

Having dismissed use-value as this common something we come to exchange-value. But exchange-value as such immediately appears only in terms of the multiplicity of other use-values that the commodity can command in exchange, and, as such, appears as being both external and accidental to the commodity itself. As Marx explains:

Exchange-value, at first sight, presents itself as a quantitative relation, as the proportion in which values in use of one sort are exchanged for those of another sort, a relation constantly changing with time and place. Hence exchange-value appears to be something accidental and purely relative, and consequently an intrinsic value, i.e. an exchange-value that is inseparably connected with, inherent in commodities seems a contradiction in terms. (Capital I, p. 45)

However, on closer inspection we find that:

A given commodity, e.g. a quarter of wheat is exchanged for x blacking, y silk, or z gold, &c. - in short, for other commodities in the most different proportions. Instead of one exchange-value, the wheat has, therefore, a great many. But since x blacking, y silk, or z gold &c„ must, as exchange-values, be replaceable by each other, or equal to each other. Therefore, first: the valid exchange-values of a given commodity express something equal; secondly, exchange- value, generally, is only the mode of expression, the phenomenal form, of something contained in it, yet distinguishable from it. (Capital I, p. 44)

So what is it that is given 'phenomenal form' or 'mode of expression' by the various cxchange-values of a commodity? The answer is the value of the commodity. It is value which each particular commodity has in common with all other commodities, and hence it is value that makes it commensurable with (hem. Thus in Marx's example, a quarter of wheat is able to systematically exchange with x blacking, y silk or z gold etc. (and these with each other) because a quarter of wheat has the same value as x blacking, y silk, and z gold etc. These different exchange-values of a quarter of wheat serve to express the same value.

But if the exchange-values of a commodity are only the 'phenomenal forms', the 'modes of expression' of the value of that commodity, what is it that determines the substance of value?

With this question we reach the very basis from which Marx seeks to launch his critique of political economy. So before we proceed to see how Marx comes to answer this question we must pause to consider the development of his analysis of the commodity-form, and that of the form and substance of value, in the context of bourgeois political economy.

Modem economics, which is largely what Marx would have called vulgar economy, has never been much concerned with the question of the possibility of capitalism nor with the question of what value is. For the modem economist, the existence of capitalism is taken as being self-evident, something that requires either justification or reform rather than explanation. With regards to the question of what value is the modem economist is a little uneasy; it is a question that is perhaps a little too 'metaphysical' and one that is usually confined, if dealt with at all, to the preliminary remarks before the analysis proper.

This embarrassment and uneasiness over the question of value on the part of the modem economist is not, however, surprising. The positivist and empiricist methodology which pervades modem economic thought, as Zeleny has shown, strictly precludes a 'substantialist logic'.1 All that is admitted with such an underlying methodology is the 'relativist logic' that operates with the relations between positively ascertained phenomena. Thus, to the mind of the modem economist, all reference to notions of the form and substance of value arc entirely alien; such notions are regarded as either incomprehensible or at best metaphysical. It is for this reason that the opening chapters of Capital prove so difficult for those trained within the strictures of modem economics and associated disciplines, and why for such a long time, particularly in the English-speaking world where the influence of such positivist and empiricist methodologies has been strongest, the opening of Capital has tended to be overlooked or treated rather summarily.2

However, while modem economics precludes all reference to the form and substance of value, this was not true of classical political economy. Classical political economy followed, for the most part, the philosophical tradition of British pragmatic empiricism of the eighteenth century, particularly that school of thought which had been established by Locke. While, as an empiricist, Locke was suspicious of the notion that things had a real essence or substance that made them what they were, and was doubtful as to whether such real essences could be ever truly known, he did not dismiss such notions out of hand; instead he maintained a rather equivocal attitude to the question of real essences. As a result classical political economy was not precluded from a 'substantialist logic' and hence was not prohibited from going behind the surface phenomena of the bourgeois economy to ask what the substance.

or at least, the origin of value is.

Yet, although classical political economy was not precluded from a 'substantialist logic', it still shared the perception of modem economics of the existence of capitalism as being self-evident. Furthermore, the conception of substance or real essence inherited from Locke was that of a fixed and unalterable essence which was indifferent to the particular forms that it may assume. As a consequence, insofar as classical political economists came to address the question of what value is, they did so rather obliquely; they stressed the quantitative side of the substance of value and took the form of value as given and therefore without interest. Yet nevertheless the classical political economists located the substance of value as being labour-in-general; and it was this that was, for Marx, perhaps their most important achievement.

Of all the classical political economists it was Ricardo who most consistently defended a labour theory of value and hence it was with Ricardo that classical political economy came closest to identifying labour as the substance of value. Despite the seemingly insurmountable problems that he faced in attempting to reconcile the labour-values of commodities with their prices once he had admitted profit on capital of varying duration, Ricardo persistently defended the view that the labour employed in the production of a commodity determined the value of that commodity, even though this value may be subsequently modified by other factors. This view was sustained against the increasingly vehement criticisms of many of his contemporaries by Ricardo's more or less implicit commitment to labour as not only the principal determinant, or origin, of relative values and prices of commodities, but also as the sole source of, what he terms, their 'true' or 'absolute' value. Ricardo could never bring himself to abandon his labour theory of value, despite, all its problems and contradictions, because ultimately for him labour was value; that is, labour, which was productive of material use-values, was the very substance of value.3

Yet Ricardo was never primarily concerned with the question of the substance of value as such. For him the principal problem was to find an invariable and practical standard with which to measure the distribution of wealth between the three great classes of bourgeois society under varying conditions. He only came to address the question of value insofar as, in line with the Newtonian thinking prevalent in the natural sciences of his time, he sought a standard measure that was itself cosubstantial with what it was intended to measure. As Ricardo makes clear in the draft copy of his last and unpublished manuscript. Absolute Value and Exchange-Value:

The only qualities necessary to make a measure of value a perfect one are. that it should itself have value, and that value should be itself invariable, in the same manner as a perfect measure of length

should be neither liable to be increased or diminished; or in a measure of weight that it should have weight and that such weight should be constant. (Ricardo 1951 Vol. IV, p. 361)

Thus it was primarily in terms of a measure of wealth that Ricardo came to address the question of the substance of value and as a consequence he could only go as far as to consider its quantitative aspect. Yet, as Marx recognized, any consideration of the quantitative aspect of the substance of value presupposes an understanding of its qualitative aspect; an understanding that remains for the most part implicit within Ricardo's labour theory of value.

Against any labour theory of value that suggests that labour is the substance of value it may be objected that labour is not homogeneous - that there exists a vast array of different types of labour - and that therefore labour cannot serve as the single substance of the value of all commodities. To overcome such an objection it is necessary to demonstrate how the multiplicity of different labours that enter the production of commodities can be reduced to particular expressions of some universal labour-in-general which may then itself serve as the homogeneous substance of value.

For Ricardo, who as we have seen was not much concerned with the qualitative aspect of labour as the substance of value, this reduction of the heterogeneity of labours to labour-in-general was, for the most part, taken as self-evident. Where he is obliged to address such objections Ricardo does so rather summarily. Firstly he argues that, through the operation of the market over a long period of time, the different types of labour can be quantitatively related to one another in accordance to a more or less fixed scale; and then he rules out any further investigation of the matter as being beyond the scope of his analysis. Thus in his On the Principles of Political Economy and Taxation Ricardo states, firstly:

In speaking, however, of labour, as being the foundation of all value, and the relative quantity of labour as almost exclusively determining the relative value of commodities, I must not be supposed to be inattentive to the different qualities of labour, and the difficulty of comparing an hour's or a day's labour in one employment with the same duration in another. The estimation in which different qualities of labour are held comes soon to be adjusted in the market with sufficient precision for all practical purposes, and depends much on the comparative skill of the labourer and intensity of the labour performed. The scale, when once formed, is liable to little variation. If a day's labour of a working jeweller be more valuable than a day's labour of a common labourer, it has long ago been adjusted and placed in its proper

And then he goes on to state:

As the inquiry to which I wish to draw the reader's attention relates to the effect of variations in the relative value of commodities, and not to their absolute value, it will be of little importance to examine into the comparative degree of estimation in which different kinds of human labour are held. (Ricardo, 1951, p. 12)

Hence Ricardo makes his orderly retreat from the problem of the heterogeneity of labour and, with it, the question of the qualitative aspect of labour as the substance of value. But for Marx the solution of this problem was vital; it could not be so easily dismissed. For Marx it was necessary to ask what it was that made this reduction of heterogeneous labours into the homogenous substance of labour-in-general possible and what implications this has for an understanding of labour as the substance of value.

Let us consider this a little more closely. Human labour is not biologically determined; hence in any form of society the division of human labour is first and foremost a social division of labour. This implies that any human individual has the potential, at least in principle, to perform any type of human labour. Human beings are not like animals such as bees or ants where the tasks of each individual is genetically predetermined. The limits imposed on the realization of the human individuals potential to perform any form of human labour are, for the most part, social.

Now, if all human individuals have the potential to perform any type of human labour then there must be something common to all these different types of human labour that allows them to be performed by any human being. So what Ls this common something? If we strip away all the particularities of all the various types of human labour we find that they are forms of the expenditure of both mental and physical human energy in the pursuit of a particular purpose. It is this ability to expend this physiological energy for a conscious end that is common to all human individuals and which is the common something of all human labour. As Marx himself states:

Productive activity, if we leave out of sight its special form, viz, the useful character of the labour, is nothing but the expenditure of human labour-power. Tailoring and weaving, though qualitatively different productive activities, are each a productive expenditure of human brains, nerves, and muscles, and in this sense are human labour. (Capital I, p. 51)

Hence we can say that any particular type of human labour is simply a particular mode of expression of human labour-in-general.

Within a commodity-capitalist economy the social obstacles to the free movement of labour between different lines of employment - such as caste, gender, serfdom etc. - tend to be dissolved and the worker becomes more and more indifferent to her own particular form of labour. As a result human labour-in-general takes on an explicit social reality. Furthermore, through the repeated exchange of commodities this labour-in-general becomes abstracted from all the particularities of concrete labour and equalized. As a result the labour embodied in the commodity comes to take on a two-fold character; as Marx points out;

On the one hand all labour is, speaking physiologically, an expenditure of human labour-power, and in its character of identical abstract human labour, it creates and forms the value of commodities. On the other hand, all labour is the expenditure of human labour-power in a special form and with a definite aim, and in this, its character of concrete useful labour, it produces use- values. (Capital I, p. 53)

In identifying the two-fold character of labour which is embodied in the commodity Marx is able to make explicit the qualitative aspect of labour as the substance of value and in doing so he can be seen to fully realize Ricardo's embodied labour theory of value at this point. Yet, as Rubin has shown in his seminal work Essays on Marx's Theory of Value, it would be a grave mistake to interpret Marx, as many commentators have done, as having simply developed the embodied labour theory of value bequeathed to him from Ricardo. Although there is plenty of evidence to suggest such an interpretation in the rather short section two of chapter 1 which deals with the two-fold character of labour embodied in the commodity, if Marx's value theory is considered in the wider context of chapter 1 (particularly in relation to the subsequent section on the value-form), or compared with the more extensive treatment of this subject in his earlier Contribution to the Critique of Political Economy, it becomes clear that, in identifying the two-fold quality of labour, Marx not only realizes Ricardo's embodied labour theory of value, but goes beyond it to develop his own abstract social labour theory of value.

In any society in which the social division of labour is at all developed there must be some form of social process through which labour can be socially evaluated and then allocated to various tasks, and through which the products of such labours can be distributed to the various members of society. In most forms of society this social process will involve either a conscious and deliberative social plan or else be the result of the slow evolution of social

traditions or customs. In either case such social processes will require the direct personal or social interaction of the various members of society which will logically precede the actual labour process. In all such societies, therefore, labour is directly and immediately social.

In a generalized commodity economy, however, the social division of labour is only constituted through the exchange of commodities. There is no other social connection between the disassociated commodity producers other than the relations established between their commodities. Hence, the labour of these commodity producers is immediately private and disassociated; it is only through the act of exchange that such labour can become social and recognized as a part of the social division of labour of society as a whole. Thus in abstracting labour-in-general from the diversity of concrete labour, exchange must also involve the abstraction of social from private labour. Thus the substance of value is not simply human labour-in-general, but abstract social labour. As such the substance of value is emptied of all material and physiological content; it is a purely social substance. As Marx himself points out:

The value of commodities is the very opposite of the coarse materiality of their substance, not an atom of matter enters into its composition. Turn and examine a single commodity, by itself, as we will, yet insofar as it remains an object of value, it seems impossible to grasp it. If, however, we bear in mind that the value of commodities has a purely social reality, and that they acquire this reality only insofar as they are expressions or embodiments of one identical social substance, viz human labour, it follows as a matter of course, that value can only manifest itself in the social relation of commodity to commodity. (Capital I, p. 54)

For a purely embodied labour theory of value, such as that of Ricardo, the value of a commodity Ls simply the materialization of the expenditure of physiological human energy for a definite end. As such, value is determined as a technical relation of production; as a relation between the human mind and body and its interaction with the natural world. Consequently, the value of a commodity will simply depend on the technically determinant amount of labour time necessary for its production. So the actual labour embodied in the process of production is seen as the very substance of value.

For Marx's abstract social labour theory of value, however, the physiological expenditure of human labour is merely a necessary prerequisite for the substance of value. The substance of value, abstract social labour, Ls above all a social substance that emerges out of the relation between human beings with their collective appropriation of nature. It is therefore determined

as a social relation that emerges through the articulation of production and exchange in an economy of disassociated commodity producers. Because of this it is insufficient merely to see how the substance of value is produced in the sphere of production; it is also necessary to see how this substance of value takes form in the sphere of exchange.

We shall have cause to return to this important distinction between an embodied labour theory of value and Marx's abstract social labour theory of value in due course. But before we can present this comparison we must first proceed to consider Marx's analysis of the form of value - which is contained in the third section of chapter 1 - since it is only after this analysis that we can fully grasp the significance of Marx's abstract social labour theory of value.

*Hi) The form of value*

So, for Marx, the substance of value is abstract social labour. Hence we may say that the regular and determinate exchange of commodities is possible insofar as the disassociated labour contained within each commodity can be validated as being part of the total social division of labour through the mediation of exchange. The problem now is to uncover the conditions within exchange which allow this validation of disassociated labour as social labour and this requires us to retrace our steps to consider the form of value. As Rubin points out:

Leaving aside here the quantitative aspect, or the magnitude of value, and limiting ourselves to the qualitative aspect, we can say that value has to be considered in terms of 'substance' (content) and 'form of value'. The obligation to analyse value in terms of both of the factors included within it means an obligation to keep to a genetic (dialectic) method in the analysis. This method contains analysis as well as synthesis. On the one hand, Marx takes as his starting point the analysis of value as the finished form of the product of labour, and by means of analysis he uncovers the content (substance) which is contained in the given form, i.e. labour. Here Marx follows the road paved by the Classical Economists, particularly Ricardo [and which leads towards an embodied labour theory of value]... But on the other hand, because Ricardo had confined himself to the reduction of form (value) to content (labour) in his analysis, Marx wants to show why this content acquires a given social form. Marx does not only move from form to content, but also from content to form. He makes the 'form of value' the subject of his examination, namely value as the social form of the product of labour - the form which the Classical Economists took

So how does Marx come to consider the form of value now that he has identified its substance?

As we have already seen, value becomes manifest in the phenomenal form of exchange-value - that is, in the relation of exchange that arises between commodities. The simplest value-form is that which arises through the single exchange-value of one commodity for another commodity. This Marx terms the accidental or elementary value-form.

The accidental or elementary value-form may be expressed as follows: x of commodity A = y of commodity B

or, for example:

20 yards of linen is worth one coat

This expression may then be further broken down into two polarized (sub)- forms: the relative form, which in this case is taken up by commodity A (the 20 yards of linen), and the equivalent form, which is taken up in this case by commodity B (the coat). Let us first consider the relative form.

Commodity A cannot express its own value in terms of itself. The expression commodity A = commodity A would be a meaningless tautology. Commodity A must therefore find another commodity with which to express its own value and in this case it is commodity B. In relating its own value in terms of commodity B, commodity A finds that its value takes the material and bodily form of the use-values of commodity B. So, in Marx's example, the value of the 20 yards of linen is expressed in terms of the usefulness of one coat that it may obtain in exchange. As a result the intrinsic value of commodity A gains an independent and external expression from its own material and bodily form. The internal opposition within commodity A, between its use-value and its value, now becomes externalized with its relation with commodity B. The use-value of the linen now becomes opposed to its own value externalized in the bodily form of the use-value of the coat.

What is more, in taking up the relative form, commodity A comes to equate the labour embodied within it to the labour embodied in commodity B. That is, in Marx's example, weaving comes to be equated with tailoring. As a result both weaving and tailoring come to express the same quality of being abstract labour-in-general, as Marx himself explains:

By making the coat equivalent of the linen, we equate the labour

embodied in the former to that in the latter. Now it is true that the tailoring, which makes the coat, is concrete labour of a different sort from the weaving which makes the linen. But the act of equating it to the weaving, reduces tailoring to that which is really equal in the two kinds of labour, to their common character of human labour. In this roundabout way, then, the fact is expressed, that weaving also, insofar as it weaves value, has nothing to distinguish it from tailoring, and, consequently, is abstract human labour. It is the expression of equivalence between different sorts of commodities that alone brings into relief the specific character of value-creating labour, and this it does by actually reducing the different varieties of labour embodied in the different kinds of commodities to their common quality of human labour in the abstract. (Capital I, p. 57)

So both weaving and tailoring appear within this relation of equivalence as abstract human labour stripped of all their different peculiarities. But this is not all. They do not merely express the common quality of being the products of abstract human labour but also, in this expression, appear as having the same quantity of such abstract labour. The amount of labour embodied in 20 yards of linen is the same amount as that required to produce one coat. So in equating itself to one coat the 20 yards of linen equates the amount of its own labour, and hence its value, to that of one coat.

But this is only a relative expression of the linen's value. As Marx points out, although the amount of labour time necessary to produce the 20 yards of linen, and hence its absolute value, may remain the same, changes in the production of the coat may alter the labour time, and thus the value, of the coal to which the 20 yards of linen is related. Thus for example, the productivity of tailoring may double, thereby cutting the labour time, and with it the value, of the coat by half. Hence the value of 20 yards of linen will be expressed not by one coat but by two. The relative value of 20 yards of linen will appear to have doubled, since it is now worth two coats rather than one, even though its absolute value remains the same. Here we find the limitations of the relative form.

We must now turn to Marx's analysis of the equivalent form. As Marx himself remarks, the equivalent form has a far more enigmatic character than that of the relative form and it is with this form that many of the errors of bourgeois political economy are rooted. Hence it was important for Marx to deal with this form in some detail. The difficulties involved in understanding the equivalent form arise according to Marx from the three interrelated peculiarities of this form. Let us consider each of these in turn.

The first peculiarity is that, in taking up the equivalent form, commodity B (the coat) comes to express the value of commodity A (linen) in its own use-

value. Hence its use-value becomes the phenomenal form of its own opposite - value. It therefore appears that commodity B's use-value is the very material form of value itself. The utility of the coat is the bodily form of value. Of course this only holds in the elementary form while the coat lakes up the equivalent form for linen. As soon as it discards this role, or as soon as linen finds another commodity to act as an equivalent, then the coat ceases to be the incarnation of value for linen.

The second peculiarity, which arises from the first, is that the concrete labour embodied in the equivalent, the coat, comes to express nothing other than abstract human labour. That is, tailoring, despite all its concrete particularities, comes to represent no more than abstract human labour-in- general. Hence, as Marx observes, the concrete labour of tailoring becomes the very form through which its opposite, abstract labour, manifests itself. As Marx explains:

The body of the commodity that serves as the equivalent, figures as the materialisation of human labour in the abstract, and is at the same time the product of some specifically useful concrete labour.

This concrete labour becomes, therefore, the medium for expressing abstract human labour. If on the one hand the coat ranks as nothing but the embodiment of abstract human labour, so, on the other hand, the tailoring which is actually embodied in it, counts as nothing but the form under which that abstract labour is realised. In the expression of value of the linen, the utility of the tailoring consists, not in making clothes, but in making an object, which we at once recognise to be Value, and therefore to be a congealation of labour, but of labour indistinguishable from that realised in the value of the linen. In order to act as such a mirror of value, the labour of tailoring must reflect nothing besides its own distinct quality of being human labour generally. (Capital I, p. 64)

This brings us to the third peculiarity. As the equivalent to the 20 yards of linen the coat stands as readily exchangeable with that linen. As such it stands as the means through which the private, disassociated labour that is embodied in the linen is validated as being social labour. As the equivalent of the labour embodied in the 20 yards of linen the private, disassociated labour embodied in the coat therefore stands at once as socially validated labour. Hence, the private, disassociated labour of the coat becomes the form in which its own opposite, social labour, presents itself.

So, for the third time, the material properties of the equivalent come to serve as the bodily form through which their opposites make their appearance. The failure to distinguish between the intrinsic social properties of the

commodity and the material forms in which they must necessarily appear becomes most acute with the understanding of the equivalent form, but the consequent confusion only really becomes apparent once we move beyond the simple elementary form of value to consider its more developed forms, as we shall see.

The elementary form is itself an inadequate form of value. The commodity does not simply relate to one other commodity but to any number of commodities that it may exchange with. We therefore come to the more developed value form which Marx terms the expanded form of value.

The expanded form of value may be expressed as follows:

y of commodity B x of commodity A = z of commodity C w of commodity D

etc.

With the expanded form of value commodity A comes to relate its value to all other commodities in tum, each of which then stands equally opposed to commodity A as its equivalent form. Thus, continuing Marx's example, the 20 yards of linen may come to express its value not only in terms of one coat but also in terms of lOlbs of tea, 401bs of coffee, one quarter of com, two ounces of gold and so forth. In relating itself to the interminable list of all other commodities it becomes clear that the particular value contained in the 20 yards of linen is indifferent to the particular use-values within which it may be expressed. Hence, with the expanded form, the value of the commodity appears not only as distinct and separate from its own use-value, with its external expression in the particular use-value of another commodity, but as distinct and separate from all use-values - that is, as distinct and separate from use-value in general.

Furthermore, with value standing as distinct and separate from all particular use-values it becomes clear that the abstract social labour that serves to create this value must also stand as distinct and separate from all the particular disassociated and concrete labours that serve to create the wide diversity of use-values of all the different commodities. As Marx himself explains:

Every other commodity now becomes the a mirror of the linen's value. It is thus, for the first time, this value shows itself in its true light as a congealation of undifferentiated human labour. For the labour that creates it, now stands expressly revealed, as labour that ranks equally with every other sort of human labour, no matter what its form, whether tailoring, ploughing, mining, &c., and no matter

whether it is realised in coats, com, iron, or gold. The linen, by virtue of the form of its value, now stands in a social relation, no longer with only one other kind of commodity, but with the whole world of commodities... At the same time, the interminable series of value equations implies that, as regards the value of a commodity, it is a matter of indifference under what particular form, or kind, of use-value it appears. (Capital I, p. 68)

The expanded form of value is, however, inadequate. Value is only expressed in terms of an indefinite number of particular use-values. Thus while we can see with the expanded form of value how a particular value stands opposed to use-value in general we cannot determine how value in general stands in relation to use-value. For this we must pass on to what Marx terms the general form of value.

The general form of value is expressed as follows:

y of commodity B z of commodity C = x of commodity A

w of commodity D

etc.

In the general value-form the expanded form becomes reversed so that now commodity A stands as the equivalent form for all the other commodities. As a result the material form of commodity A now comes to be the general expression of value, since all commodities can now express and measure their own values in the material form of commodity A. Hence, if we return once more to Marx's example, one coat, 10 lbs of tea, 40 lbs of coffee, one quarter of com, half a ton of iron, two ounces of gold and so on, can all express their own value in the material and tangible form of 20 yards of linen. As a result every commodity can be equated and exchanged with any other commodity with reference to the 20 yards of linen which stands as their common expression of value . Thus, for example, 80 lbs of coffee, being worth 40 yards of linen can now be directly exchanged with one ton of iron since this is also worth 40 yards of linen.

The material form of commodity A therefore comes to stand as the incarnation of value itself and thus of abstract social labour, as Marx goes on to point out:

The bodily form of linen is now the form assumed in common by the values of all commodities; it therefore becomes directly exchangeable with all and every one of them. The substance linen

becomes the visible incarnation, the social chrysalis state of every kind of human labour. Weaving, which is the labour of certain private individuals producing a particular article, linen, acquires in consequence a social character, the character of equality with all other kinds of labour. The innumerable equations of which the general form of value is composed, equate in turn labour embodied in the linen to that embodied in every other commodity, and they thus convert weaving into the general form of manifestation of undifferentiated human labour. In this manner the labour realised in the values of commodities is presented not only under its negative aspect, under which abstraction is made from every concrete form and useful property of actual work, but its own positive nature is made to reveal itself expressly. The general value-form is the reduction of all kinds of actual labour to their common character of being human labour generally, of being the expenditure of human labour-power. (Capital I, p. 72)

However, with the general value-form as such, any commodity may stand as the general equivalent There may therefore be any number of material expressions of the value as there are commodities. Yet for regular and determinate exchange there must be a fixed point of reference for exchange, and thus a standard expression of value. As a result, with the emergence of generalized commodity exchange, a single commodity emerges that, by social convention, comes to exclude all other commodities from the position of the general equivalent This commodity then becomes the money-commodity, which leads us to the money-form.

The money form may be expressed as follows:

x of commodity A y of commodity B = 1 amount of gold

z of commodity C

etc.

Where gold is the money-commodity.

Once the money-commodity has excluded all other commodities as the sole expression of value and direct exchangeability, all other commodities need only express their value in the form of their single exchange-value with a given measure of the money-commodity. That is, each commodity need only express its value in terms of its money equivalent - that is, its price. Hence, if for example 2 ounces of gold is designated as being £2 then we may say that:

20 yards of linen is worth £2 one coat is worth £2 Vi a ton of iron is worth £2 and so forth.

However, as Marx observes, unless the money-form is grasped as a whole, money can easily lead to difficulties and confusion. As the sole and general equivalent money comes to express the peculiarities of the equivalent form in their most glaring and 'dazzling' form. Since the money-commodily exclusively reflects the value of all other commodities in its own material form it may appear that value is some natural property of the material substance of money itself; as if it was a natural property like weight, colour or chemical make up. This confusion was perhaps most keenly portrayed in the mercantilist theories of the seventeenth and eighteenth centuries which, in seeing gold as being value itself, advocated the accumulation of gold for its own sake regardless of its relation to the value of other commodities. As a result gold, as the money-commodity, became elevated as the sublime and mystical embodiment of wealth itself.

On the other hand, from the perspective of the relative form of this expression, a perspective taken up by the classical political economists in reaction to the mercantilist theories of their antecedents, money appears as just another commodity. In relating its value to a general equivalent a commodity is indifferent as to which other commodity may be acting as the general equivalent. What is important is that this commodity is able to find an external expression for its own internal value. Thus money is reduced to being an ordinary commodity - a simple numeraire - its special status as being the exclusive general equivalent through which all other commodities must express their value in order to become exchangeable becomes denied. As a result money is simply viewed as a mere medium of exchange; a mere oil in the wheels of commerce with no independent movement of its own.

Yet if we grasp the money-form as a whole such confusions fall away. Money emerges as a commodity from amongst the ranks of all other commodities and as such is simply a commodity like any other. But it stands above all other commodities because of its exclusive role as the universal equivalent - as the external measure of the value of all other commodities. However, in taking this role the money-commodity does not become, in its own material substance, value itself but merely reflects, in this bodily form, the value of all the other commodities. It comes to stand as the externalized expression of the value of all these commodities - which, as we shall see, may obtain its own relative autonomy of movement. Or as Marx remarks:

...one man is king only because other men stand in the relation of

subjects to him. They, on the contrary, imagine they are subjects because he is king. (Capital I, p. 63)

1. **The money-form**

*i) The money-form and the abstract social labour theory of value*

As we have seen, through his analysis of the value-form Marx comes to derive the logical necessity of money. Regular and determinate exchange of commodities is only possible insofar as the labour required to produce them comes to be recognized as abstract social labour in the form of value. But the value of a commodity is only realized and confirmed as such with the sale of that commodity and the transformation of its value into the form of money. It is only in the money-form that the labour required to produce a commodity can stand confirmed as an integral part of the totality of homogeneous abstract social labour of society. Thus a generalized commodity economy must at the same time be a fully monetarized economy.

Furthermore, with the analysis of the value-form we come to the point where we can clearly delineate the distinction that we have made between Marx's abstract social labour theory of value and his realization of the Ricardian embodied labour theory of value. Let us consider this distinction a little more closely.4

As we have already noted, an embodied labour theory of value, such as that implicit within Ricardo, identifies the value of a commodity with the technically determined labour necessary for its production. Even if we, along with Marx, distinguish the two-fold quality of the actual labour embodied in a commodity it could be argued that we can still take the actual labour embodied in a commodity as a measure of its value since, being a mere aspect of actual labour, the quality of being labour-in-general will be coextensive with the quantity of actual labour. That is, if the actual and concrete labour necessary to produce a particular commodity doubles then we may reasonably assume that amount of labour-in-general - the general capacity to expend human energy for a given purpose - will also have to be doubled.

This proposition has important implications. If the value of a commodity is taken as simply the labour embodied in it during the process of its production, or just an exponent of such labour, then this implies that either all the disassociated labours that may be embodied in commodities are realized as values or that any labour that is not realized as value in exchange is precluded right from the beginning of such an analysis. Therefore, the process through which the labour embodied in commodities becomes realized as the value of those commodities becomes taken as a result. The exchange of commodities

is thereby collapsed into a simple extension of the process of production. Production and exchange become identified.

This identification of production and exchange then denies the specific character of capitalism as a generalized commodity economy; that is, as an economy in which production is undertaken exclusively for the purpose of exchange rather than for need. Thus the specific social form in which wealth takes in such an economy - the commodity-form - also becomes occluded. If the labour embodied in a commodity is automatically realized as value then the opposition between abstract social labour and concrete private labour - and therefore between value and use-value - is inevitably resolved and has little if any significance. The circulation of values thereby becomes merely the means with which to circulate use-values. The opposition between the use- value and (exchange-) value of the commodity is collapsed into a simple identity.

For Marx's abstract social labour theory of value, value is a social substance that is formed from the social process of production for exchange. As such value cannot be taken simply as a result, but must be considered in terms of its becoming - that is, in terms of its formation. So, while for Marx there can be no value without the expenditure of human labour power, the expenditure of labour power in producing a set of use-values embodied in a commodity does not necessarily produce value. It only does so if this labour is able to count as part of the total abstract social labour of society, and it can only be confirmed as such if the commodity within which it is embodied is sold for money. What is more there is no guarantee that the labour embodied in a commodity will be realized as abstract social labour. This process of the formation of value may become ruptured. The commodity may fail to find a buyer.

If, for whatever reason, a commodity does not find a buyer then not only is its value is not realized but its use-value remains a non-use-value. The opposition between the use-value and value of the commodity opens out into a blatant contradiction. Value no longer stands as a means through which use-values circulate but stands as a barrier to the circulation and realization of use-values. Here we find, in embryonic form, the basic contradiction of the capitalist mode of production; a system in which huge quantities food may be stockpiled or destroyed while millions starve.

With Marx's abstract social labour theory of value the opposition between the value and use-value of the comraodity-form is not automatically resolved; instead it becomes conditionally resolved by taking the form of the external opposition between money and the commodity. As Marx himself remarks:

We saw in a former chapter that the exchange of commodities

implies contradictory and mutually exclusive conditions [i.e. the

opposition of value and use-value]. The differentiation of commodities into commodities and money does not sweep away these inconsistencies, but develops a modus vivendi, a form in which they can exist side by side. This is generally the way in which real contradictions are reconciled. (Capital I, p. 106)

So, within Marx's abstract social labour theory of value, the opposition of value and use-value is not collapsed into a simple identity but is preserved as a unity in opposition that emerges between the commodity and money. A unity that is at most only provisional and one that must be repeatedly re­established with each repeated cycle of production for exchange. The significance of all this becomes clearer once we come to examine Marx's exposition of the three functions of money in chapter 3 of Volume I.

it) *The three functions of money*

With his presentation (Darstellung) of the three functions of money we find Marx coming full circle. It had been this very question of money's function which in the Grundrisse had served as the point of departure for Marx's investigation (Forschung) into the theory of value. Now as he draws to the close of his presentation of the theory of value as such we find him once more returning to this erstwhile starting point.

In the Grundrisse Marx's immediate concern had been to refute the contention put forward by Darimon and other socialist theorists that money was the root cause of the periodic crises that beset capitalism, and thereby to show how the various proposals for replacing money by labour chits that arose from such a contention were merely utopian schemes that could never be realized. In refuting Darimon's theory Marx had been obliged to show how money's function as an independent expression of value did not arise as merely a matter of convenience, as the political economists would have it, nor as an arbitrary and unscrupulous invention as the socialists maintained, but was a necessary part of the social regulation of any society made up of disassociated commodity producers.

For Darimon, commodities should, as a matter of justice, exchange in accordance with the labour embodied in their production. However, this basis for exchange had been usurped by money, which, being independent of labour, allowed for a divergence between the real labour-values of commodities and the money-prices at which they came to be exchanged. Not only was this unjust, since it meant the unequal exchange of labour, but it also resulted in crisis when money prices diverged so far from underlying labour- values that the relations of exchange lost all connection to production. Thus both justice and economic rationality demanded that money should be

deposed and commodities exchanged directly in accordance with the labour that had been used for their production.

But for Marx, as we have seen, it was necessary for the labour-values of commodities to find an external and material expression in money. It is only with such an independent expression that the various disassociated production processes can be regulated and brought into relation to each other as particular expressions of the total labour of society. Because there is no social plan that precedes production and exchange within a generalized commodity economy the various branches of industry are undertaken without any immediate reference to each other. It is only after production, when the products of various industries enter into exchange, that the labour employed by the different industries become reconciled as parts of the total division of labour. Yet such a reconciliation can only be the result of a process of trial and error in which the 'exception continually proves the rule'. A process which demands that money-prices should be able to deviate from relative labour-values.

In the Grundrisse, Marx goes on to argue against Darimon and his supporters that any attempt to establish a rigid link between the medium of exchange and the actual labour times embodied in commodities could only end in failure. With regards to the proposals to replace money by the issue of labour chits denoting the labour time embodied in particular commodities, Marx argues that either these labour chits would become just like paper money with the nominal labour times they claim to represent diverging markedly from the actual labour time embodied in commodities or else the bank entrusted to issue such chits would increasingly have to regulate production and exchange and thereby abolish the essential relations of a generalized commodity economy.

So for Marx, money, as an independent material expression of value, that exists in opposition to all other commodities, was a necessary function of a generalized commodity economy. As a consequence, money, for Marx, was not itself the cause of crisis but merely acted as a mode of expression of such crises which were an inherent possibility within an economy of disassociated commodity producers.

But now, in Capital, with the presentation of his theory of value, Marx is not so much concerned with money as crisis - although as we shall see this Is still very much present since crisis can only be fully understood with the more complex and concrete categories that had yet to be derived - but with the further development of the value-form which arises with the transition of money into capital. Yet, as we shall now see, in order to follow this development of the value-form Marx had to unfold in detail the three functions of money and this led Marx to return repeatedly to the underlying question of crisis.

As the universal equivalent, money stands before all other commodities as the universal measure of their values. As such money appears with two distinct and opposed aspects. As Marx indicates in his rather longer exposition of this point in his Contribution to the Critique of Political Economy, it was the one­sided appropriation of these two opposed aspects that split the emergent bourgeois political economy into two opposed camps with regards to the recurrent monetary controversies of the seventeenth and eighteenth century and which still persisted in Marx's own day. And it is against these two camps that Marx began the development of his theory of the functions of money.

So what are these two aspects of money as the measure of value and how did they give rise to the monetary controversies that bedevilled early political economy? Firstly, money stands as the equivalent form for the value of all other commodities; it therefore appears as the universal material expression of value. It was this aspect of money as the measure of value that was taken up by the mercantilists, and also by such philosophical precursors of classical political economy as John Locke. As we have already noted, the mercantilists, beguiled by the peculiarities of the equivalent form in its most dazzling manifestation as money, confused the social substance of value with the material substance of the money-commodity. For them money was the material expression of value because precious metals such as gold and silver were naturally of value. It followed from this that the natural measure of the quantity of the money-commodity was at one and the same time the measure of value. Hence, it was observed, the unit of currencies referred to a specific weight of precious metals, usually either gold or silver.

Against this materialist view of money as the measure of value there arose an opposed idealist camp that was originally championed by early political economists such as James Steuart, and idealist philosophers such as Berkeley. This view had emerged from considering the perspective of the relative form which each commodity must take up in relation to money. In relating their own value to the value of the money-commodity each commodity does not demand the actual presence of the money-commodity. As Marx points out with regard to this point:

...the expression of the value of commodities in gold is a merely ideal act, we may use for this purpose imaginary or ideal money. Every trader knows, that he is far from having turned his goods into money, when he has expressed their value in a price or in imaginary money, and that it does not require the least bit of real gold, to estimate in that metal millions of pounds worth of goods. When,

therefore, money serves as a measure of value, it is employed only as imaginary or ideal money. This circumstance has given rise to the wildest of theories. (Capital 1, p. 98)

Such wild theories that Marx mentions were those that emerged from the idealist camp in the early monetary controversies. Because it is recognized that the real presence of the money-commodity is not required for money to act as a measure of value the idealist camp came to view value as something that could somehow exist apart from the bodily form of money, or even commodities for that matter. Value, in diametric opposition to the mercantilist perspective, came to be seen as purely an ideal or imaginary substance that had nothing to do with matter. This came to be expressed in the theory of nominal standard of value. As Marx comments in his more extensive exposition of this point in the Contribution to a Critique of Political Economy:

The fact that commodities are only nominally converted in the form of prices into gold and hence gold is only nominally transformed into money led to the doctrine of the nominal standard of money. Because only imaginary gold or silver, i.e. gold and silver merely as money of account, is used in the determination of prices, it was asserted that the terms pound, shilling, pence, thaler, franc, etc., denote ideal particles of value but not weights of gold or silver or any form of materialised labour. If, for example, the value of an ounce of silver were to rise, it would contain more of these particles and would therefore have to be divided or coined into a greater number of shillings. (Contribution, p. 76)

As Marx goes on to show in his Contribution to the Critique of Political Economy, the confrontation between these idealist and materialist views of money as the measure came to a head around the practical issue of the recoinage of the currency following its debasement due to wear and tear and the consequent practice of clipping coins; and it was still echoed in Marx's own day in the issue of the convertibility of paper money into gold coin. To dispel the confusions that arose from such controversies Marx, both in the Contribution and in Capital, takes up Ricardo's distinction between money as a measure of value and money as the standard of price.

Like Ricardo, Marx sees that money can only act as a measure of value because, like all other commodities, it is a product of human labour. Money does not, as the mercantilists thought, have value due to the innate and natural properties of its own material substance but because this substance is a materialization of human labour. Furthermore, a given amount of this

material substance of the money-commodity, like any other commodity, may from one time to the next come to be the materialization of very different quantities of human labour and therefore stand for very different amounts of value. Thus money acts as a measure in two distinct ways.

Money, as the measure of value, can act as the material expression of value in which all other commodities can evaluate themselves because it is itself the product of labour and therefore has value. But the human labour embodied in commodities is not directly reflected and evaluated in terms of the labour embodied in the money-commodity, but rather in terms of the exchange-ratios between the material quantities of these commodities and the money- commodity. The value of a commodity is expressed in its exchange-value in terms of the money-commodity. That is as:

x amount of commodity A = y amount of the money-commodity

or

one coat is worth two ounces of gold

Furthermore, with the regular sale of commodities there emerges, as a matter of convenience, a need for a common standard of measurement of the money-commodity. This standard then takes the form of a unit of currency which is established within certain national boundaries by the state authorities, and which represents a given amount of the money-commodity. Thus we have pounds, dollars, yen, francs and so forth. As such money acts as a measure of its own material substance; it acts as the standard of price.

Consequently, the values of commodities are not expressed simply in terms of the physical quantity of the money-commodity - in terms of ounces and grains of gold - but as a price. That is we have:

one coat is worth £20

Where this £20 is equal to two ounces of gold which is in turn the product of x hours of abstract social labour.

So, as Marx himself points out:

As measure of value, and as standard of price, money has two entirely distinct functions to perform. It is the measure of value in as much as it is the socially recognised incarnation of human labour; it is the standard of price in as much as it is a fixed weight metal.

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. The measure of values measures commodities considered as values; the standard of price measures, on the contrary, quantities of gold by a unit quantity of gold, not the value of one quantity of gold by the weight of another. (Capital I, p. 100)

In making this distinction between money as the measure of value and money as a standard of price Marx is not only able to dispel the confusions that had arisen within various monetary controversies of the early political economists but is also able make clear the series of mediations that lie between the intrinsic value of a commodity and its external expression in money in the form of the commodity's price. Due to such mediations the value of a commodity may find itself expressed in a whole range of prices; and this may arise for two quite distinct reasons.

Firstly there may be a change in the relative value of the commodity with regard to that of the money-commodity. For example, while the abstract social labour time required to produce a particular commodity may remain the same the amount of such labour time needed in the mining of gold may rise or fall. Hence the value of the commodity, although remaining the same, may become expressed in a smaller or greater amount of gold-money.

Secondly, even if the relative value of the commodity with respect to the money-commodity remains the same, the debasement of the currency may lead to the real value of the unit of currency falling below that of its nominal value. Thus in order to express its value in a certain amount of gold the commodity will have to have a higher price.

But this brings us to an important point, which Marx then goes on to consider; because there is no necessary one to one correspondence between value and price, because they are mediated, in taking the price-form value appears as quite accidental and arbitrary:

Magnitude of value expresses a relation of social production, it expresses the connexion that necessarily exists between a certain article and the portion of the total labour-time of society required to produce it. As soon as magnitude of value is converted into price, the above necessary relation takes the shape of a more or less accidental exchange-ratio between a single commodity and another, the money-commodity. But this exchange-ratio may express either the real magnitude of that commodity's value, or the quantity of gold deviating from that value, for which, according to circumstances, it may be parted with. The possibility, therefore, of quantitative incongruity between price and magnitude of value, or the deviation of the former from the latter, is inherent in the price-

Yet this is not all. As Marx observes there is not only the possibility of a quantitative incongruity between value and its price-form but also the possibility of qualitative incongruence:

The price-form, however, is not only compatible with the possibility of a quantitative incongruity between magnitude of value and price, i.e. between the former and its expression in money, but it may also conceal a qualitative inconsistency, so much so, that, although money is nothing but the value-form of commodities, price ceases altogether to express value. Objects that in themselves are not commodities, such as conscience, honour &c., are capable of being offered for sale by their holders, and of thus acquiring, through their price, the form of commodities. Hence an object may have a price without having value. (Capital 1, p. 105)

But as Marx remarks, this incongruity is:

...no defect, but on the contrary, admirably adapts the price-form to a mode of production whose inherent laws impose themselves only as the mean of apparently lawless irregularities that compensate one another. (Capital I, p. 104)

Here, in positing the necessity of the relative autonomy of the price-form from value, Marx steps beyond Ricardo and returns to the his point of departure in the Grundrisse: his critique of Darimon. As we have seen, by adopting Ricardo's distinction between money as the measure of value and money as the standard of price - by making common cause with Ricardo in asserting labour as the source of value - Marx was able to dispel the confusions that had arisen concerning money. Value was not a natural and innate property of precious metals but rather precious metals possessed value because they were products of human labour. Thus value was distinct from the material and physical substance of the money-commodity. But, on the other hand, value had to find a material form, it had to become objectified; it could not exist simply in the imagination as a pure notion or idea. But having sided with Ricardo to show how money is an expression of labour-values, Marx now comes to the point of showing how money, as the price-form, is not an expression of value.

For Ricardo, labour-values - that is, the labour time embodied in commodities - determined prices. Of course Ricardo recognized that prices would from time to time deviate from their underlying labour-values but once

labour-values had been modified for minor complications such as the duration and composition of capitals then any such deviations of prices from values would be purely due to extraneous and accidental causes and were therefore of little concern to establishing the principles of political economy. Yet for Darimon and the socialist it was evident that the deviation of prices from labour-values was far from being an accident but was the norm that had to be explained. For Marx both perspectives were true in that labour-valucs determined prices only through the continual deviation of prices from labour- values. For the disassociated commodity producers to reconcile themselves as part of the total social division of labour, prices had to have a relative autonomy from labour-values. The deviation of prices from labour-values was therefore no external accident, as Ricardo took it, but an internal necessity.

In stepping beyond Ricardo, the distinctive character of Marx's abstract social labour theory of value now re-emerges with respect to money's function as the measure of value. In standing before exchange the labour embodied in a commodity still remains concrete disassociated labour. The commodity only has value insofar as it can anticipate, on the basis of previous cycles of production and exchange, the realization of this labour as abstract social labour in the form of money. The commodity at this point does not have a value as such, but a potential or latent value. This potential value is then expressed in an ideal or imaginary quantity of money by its ideal price. It is here that we fmd the kernel of truth of the idealist camp of monetary theorists.

Of course Ricardo (who very much originates from the materialist camp, particularly that part represented by John Locke) passes over this point. From his embodied labour theory of value, as we have already noted, the realization of labour as value is taken as a given result. But from the perspective of an abstract social labour theory of value it is very much a real problem. As Marx comments at the end of his section on money as the measure of value:

In order...that a commodity may in practice act effectively as exchange-value, it must quit its bodily shape, must transform itself from mere imaginary into real gold, although to the commodity such transubstantiation may be more difficult than to the Hegelian 'concept', the transition from 'necessity' to 'freedom', or to a lobster the casting of his shell, or to Saint Jerome the putting off of old Adam. (Capital I, p. 10S)

The opposition between the commodity and money cannot be simply collapsed into a formal identity like that of Ricardo, or for that matter into an

Hegelian identity, but is a real process that can only ever be held within a provisional unity. The possibility of rupture is inherent and this becomes a little more evident, as we shall now see, once Marx moves on to consider the second function of money.

1. *Money as the medium of exchange*

As we have seen, before exchange money stands before commodities as the external and ideal measure of their value. Now the commodity must enter into the process of exchange and with this money must take on the function of the medium for the circulation of commodities. This function becomes expressed in the formula for the simple circulation of commodities as follows:

C, - M - C2

That is, the producer of a commodity (C,) sells her commodities for money (M) which is then used to purchase another set of commodities (C2). Here money appears as the means through which the commodities which are a non- use-value for their producer become transformed into a set of commodities that do have a use-value for that producer. As such money can be seen to unite and resolve the opposition between use-value and non-use-value inherent within each commodity.

This is not only true for the particular commodity but also for all commodities. The sale of a commodity for one commodity producer is at one and the same time a concluding purchase for another commodity producer. The twin movements C - M and M - C for a given commodity producer are the movements M - C and C - M for two other producers and are consequently merely two links in the chain through which all commodities become circulated by money. Money therefore serves to circulate all commodities, moving them from the hands of their producers into the hands of their consumers and in doing so unites production with consumption.

Simply as a means of circulation money is merely the servant of the movement of commodities. In fact, expressed as a result, the simple circulation of commodities becomes merely:

C-C

the formula for the simple exchange of commodities as if in barter. Money consequently vanishes from view, other than as a fleeting symbol of the value of exchanging commodities. As Marx goes on to explain:

Insofar as the circuit C - M - C is the dynamic unity of the two

aspects C - M and M - C, which directly change into each other, or insofar as the commodity undergoes the entire metamorphosis, it evolves its exchange-value [value] into price and into money, but immediately abandons these forms again to become once more a commodity, or rather a use-value. The exchange-value [value] of the commodity thus acquires only a seemingly independent existence....of gold, when it functions only as specie, that is when it is perpetually in circulation, does indeed represent merely the interlinking of the metamorphoses of commodities and their ephemeral existence as money. Gold [in this function] realises the price of one commodity only in order to realise another, but it never appears in a state of rest or even as a commodity in a state of rest.

The reality which in this process the exchange-value [value] of commodities assumes, and which is expressed by gold in circulation, is merely the reality of an electric spark. Although it is real gold, it functions merely as apparent gold, and in this function therefore a token of itself can be substituted for it. (Contribution, p. 114)

So, as Marx goes on to point out in particular detail in the Contribution, in its function as the medium for the circulation of commodities, the money- commodity need only appear as a token of its own value. Indeed it may become represented by something that in itself is as worthless as a scrap of paper. This becomes clear if we briefly consider historical development of coinage and the consequent emergence of paper money.

Once metallic money becomes minted into coins of a standard weight there emerges the problem of the wear and tear of these coins. With the constant circulation of these coins their real weight begins to fall significandy below that of their nominal weight of issue. Yet, within limits these coins still serve to circulate commodities as if they were freshly minted coins with their full weight in gold or silver. Insofar as they are below weight such coins then can be seen to act as simply tokens of value.

But this is not all. With the development of commodity exchange into even minor exchanges of value, less precious metals become pressed into service as small change. Being made of less precious metals the intrinsic value of the metal content of these coins is far below their face value, yet again they are still able to function as a means with which to circulate commodities as if they were in fact made of gold or silver of the requisite weight and value. Money as a token of value becomes even more pronounced with the development of paper money. Since paper money has, for all intents and purposes, little or no intrinsic value it must act as a token for all of its face value. With paper money it then becomes clear that money is present only as a token of value; and it is thus with paper money that we find the medium of circulation par

*excellence.*

As a mere token or symbol, the character of money in its function as a medium of circulation is diametrically opposed to that which we saw it assume with its function as the universal measure of value. In its first function money was only present as ideal or imaginary money. There was no need for the money-commodity to be present in its full material reality for a commodity to express its own intrinsic value in the form of its price. But while there was no necessity for the real presence of money, the pricing of the commodity still presupposed the real existence of money as a real materialization of human labour. If gold did not have a real existence then commodities could not express their value in a nominal amount of its weight.

Yet now, with its function as the medium of circulation, money must have a real presence in order that the commodity's price may be realized; but it need only be present as a symbol or token of itself. Thus the vital characteristic of money is now its presence rather than its real existence as a materialization of abstract social labour. Thus, as Marx himself points out:

...the two functions of money - as a standard [measure] of value and a medium of circulation - are governed not only by conflicting laws, but by laws which appear to be at variance with the antithetical features of the two functions. As regards its function as a standard of value, when money serves solely as money of account and gold merely as nominal gold, it is the physical material used which is the crucial factor... On the other hand, when it functions as a medium of circulation, when money is not just imaginary but must be present as a real thing side by side'with other commodities, its material is irrelevant and its quantity becomes the crucial factor. Although whether it is a pound of gold, silver or of copper is decisive for the standard measure, mere number makes the coin an adequate embodiment of any of these standard measures, quite irrespective of its own material. 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)

It was a failure to grasp and resolve this paradox, which arises from the antithetical characteristics of these two functions of money, that, for Marx, had proved the crucial stumbling block for much of bourgeois political economy. None the more so than for Ricardo.

As we have seen, in the consideration of money in its first function as the measure of value, Marx was able, for the most part, to adopt Ricardo's line of

analysis. This was because Ricardo, with his commitment to a labour theory of value, was able to grasp money in its real existence as the materialization of human labour which is presupposed in the ideal price of a commodity. Again, in his consideration of money in its second function as the medium of circulation, Ricardo correctly identifies money in its real presence as a mere symbol or token of value. But Ricardo, for Marx, was unable to go beyond the analysis of these two functions to consider them in synthesis. Instead, once Ricardo passes from his analysis of money in its first function to an analysis of money in its second function he is obliged to abandon the results of his previous analysis; he has to forget the material existence of money that is presupposed in the ideal price of each commodity. As a result Ricardo, in his analysis of money as a medium of circulation, not only sees money as nothing other than a pure symbol, but comes to adopt uncritically Hume's quantity theory of money.

Hume had been one of the first of the 'practical philosophers' to propose a quantity theory of money. He had argued that the movements in the general price level in the sixteenth and seventeenth centuries were closely connected to import of gold from the Americas. Following every discovery and exploitation of gold seams in the New World there would be a general rise in prices with the importation of this new gold into Europe. The reason Hume put forward for such an increase in the price level following the import of new gold can perhaps be best explained with reference to the identity put forward by a more modem defender of the quantity theory of money who gives his name to the so-called Fischer equations:

M.V = P.T

This identity states that the total money in circulation (M) multiplied by the average velocity with which this money circulates (V) must equal the sum of all prices (P) multiplied by the number of transactions (T) in a certain period. Now given that the velocity of money was more or less constant and the number of transaction was given, then an increase in the amount of gold, due for instance to the discovery of new gold mines, could only lead to an increase in the general level of prices. Since the value of money was nothing other than the inverse of the general price level, then the value of money was inversely dependent on its quantity. So, for example, if there was an increase in the amount of money then the general price level would rise in order to absorb this increase and hence the value of money would fall, and vice versa.

From the analysis of money as the measure of value, however, it is clear that the value of money is not determined by its relative quantity, but, as with any other commodity, by the socially necessary labour time required for its production. From this analysis it is clear that the value of both commodities

and money is determined in production and is therefore prior to circulation and exchange. Consequently, with the total value of commodities already determined, it is the amount of value that needs to be circulated which determines the quantity of money of a given value in circulation rather than the quantity of money which determines the value of commodities and thus the value of money. Hence, insofar as Ricardo adopted Hume's quantity theory of money he was obliged to abandon the results of his analysis of money as the measure of value, and along with it this his important distinction between money as a measure of value and as a standard of price.

This becomes most evident with Ricardo's intervention in the controversy surrounding the convertibility of paper money which required that he examine the relation between paper money and gold.5 Hume had developed his quantity theory of money exclusively in terms of gold money. The task that Ricardo set himself was therefore to extend this theory so that it could be applied to paper money. For Ricardo, the difference between gold and paper money was that the quantity of gold was ultimately limited by the labour required for its production, whereas the amount of paper money that could be printed was unlimited. If the authorities allowed too much money to be printed then, as with the discovery of new gold mines in the case of gold money, the general level of prices would rise and the value of money would fall.

However, the printing of more paper money was far easier than the discovery of new gold mines. In order to hold in check the great temptation for both banks and governments to print more money, which could only lead to excessive price inflation, Ricardo came to advocate the close connection between the issue of paper money and the amount of gold held and circulating in the country.

For Marx, however, Ricardo had not succeeded in extending the laws of metallic money to paper money but quite the reverse. In showing how the quantity of gold-money in circulation altered the general price level, Ricardo had in fact shown how gold could become a token of itself as if it was purely symbol of value like that of paper money. How was this?

As we have seen, for Marx, the amount of money in circulation was determined, given its velocity of circulation, by its own already determined value and the value of the commodities that required circulation. Now if gold-money is replaced by paper money then this paper money will act as a medium of circulation insofar as it is able to symbolize the value of gold- money. The total value of this paper money will therefore be equal to the value of the gold-money that it now symbolizes, i.e. the gold-value required to circulate the total value of commodities. This is regardless of its nominal value. Thus, for example, if the nominal value of this paper money was doubled by doubling the number of notes in circulation, then the total real

value of this money would remain the same; it would be just that the real value of each note would be halved. Thus for Marx the quantity theory of money applies to paper money because it is purely symbolic money.

Now, if the amount of gold coins in circulation doubles, although both the total value of commodities that require circulation and the value of gold itself remain the constant, then, if the velocity of these coins in circulation remains the same, then indeed the general level of prices may well double as Ricardo and Hume would argue. But, for Marx, this would not be due to a fall in the value of gold-money, since as we have seen this is constant and determined in the gold mines not in the market, but because these gold coins are forced to act as a token of their own value (even if they are freshly minted coins of the requisite weight and quality). In this case:

Gold as a token of value will fall below its real value... (Contribution, p. 172)

The gold coins will therefore be acting as if they were paper money, which, as we have seen, is, for Marx, the form of money as the medium for the circulation of commodities par excellence.

So, for Marx, Ricardo had in effect extended the laws of paper money (namely the quantity theory of money) to metallic money. But he could only do so insofar as he considered metallic money purely in its function as a medium of circulation and hence insofar as he could reduce its character to that of a pure symbol or token of value. That is:

If gold is money only because it circulates as a medium of circulation...it is forced to slay in the sphere of circulation, like paper money with forced currency issued by the State (and Ricardo implies this)...(Contribution, p. 172)

If gold is not forced to stay within the sphere of circulation then any excess over and above that warranted by the value of commodities that require circulation may be withdrawn from circulation. It was Ricardo's failure to recognize this that led to the vehement controversies between his successors and their critics that surrounded the financial crises of the mid-nineteenth century and the 1844 Bank Act which Marx considers in Volume 111 and which we shall consider in chapter 10.

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The question that we must now ask is: why was Ricardo unable to resolve the paradox that arises with the first two functions of money? Why was he unable to synthesize his analyses of these two functions? Why could he only

consider them in isolation? To answer this we must return once more to consider Ricardo's embodied labour theory of value.

As we have already noted, in adhering to his embodied labour theory of value Ricardo only considered the labour embodied in a commodity insofar as it was realized as the value of that commodity. Consequently, for Ricardo, the potential value of a commodity became collapsed into an identity with the actual value of that commodity. As a result the ideal price of the commodity, which is none other than the monetary expression of potential value, was taken to be fully realized in real money with the sale of the commodity. Ricardo therefore saw the movement C - M, the sale of the commodity as a simple identity; an inevitable exchange of equivalents. He therefore only considered the sale of the commodity - the movement C - M - from the perspective of its result.

But the sale of the commodity is at one and the same time a purchase for another commodity owner. Hence just as the movement C - M could be seen as a simple identity, an inevitable exchange of equivalents, then so could the concluding movement of the simple circulation of commodities, M - C, be seen as such. Hence Ricardo came to see the entire movement C - M - C in its result. He came to see it, in what Marx terms, its dynamic unity; as little more than barter in which money only has a fleeting presence that simply oils the wheels of the circulation of commodities.

By considering the circulation of commodities in its result, by reducing it to little more than barter of the form C, - C2, Ricardo came to adopt the propositions of Say's Law which stated that since every sale is at the same time a purchase then total demand must always equal total supply. In adopting Say's Law, as we shall see later, Ricardo came to deny the inherent possibility of capitalist crises.

For Marx's abstract social labour theory of value, the labour embodied in a commodity can only become validated as abstract social labour, and thereby as value, by entering into the exchange and assuming the form of money. Hence Marx has to maintain the distinction between the potential value of a commodity and its realization as an actual value. He has to see the sale of a commodity not as a result but as part of a process. Hence he also comes to see the overall circulation of commodities as a process; a process that may well become interrupted and whose completion is only ever provisional. The simple circulation of the commodity, C - M - C, cannot be seen by Marx as a simple identity - an inevitable exchange of equivalents - but as a unity of opposition that may well become ruptured.

Thus in the exposition of his analysis of the simple circulation of commodities Marx is obliged to pinpoint the possible interruptions of its overall movement that may emerge in both its phases.

a) C - M. So let us first consider the interruptions that may emerge in the phase of the sale of the commodity, C - M. Before exchange, a commodity has a notional price that reflects its potential value. But there is no guarantee that this notional price will become real money and thus there is no guarantee that the potential value of a commodity will be realized as actual value. As Marx puts it, the commodity-owner must entice the money with which to realize the value of her commodity out of someone else's pocket; but to do this the commodity must be a use-value for this owner of money:

For this, it is necessary that the labour expended upon it [the commodity], be of a kind that is socially useful, of a kind that constitutes a branch of the social division of labour. But division of labour is a system of production which has grown up spontaneously and continues to grow behind the backs of the producers. The commodity to be exchanged may possibly be the product of some new kind of labour, that pretends to satisfy newly arisen requirements, or even to given rise itself to new requirements. A particular operation, though yesterday, perhaps, forming one out of many operations conducted by one producer in creating a given commodity, may today separate itself from this connexion, may establish itself as an independent branch of labour and send its incomplete product to market as an independent commodity. The circumstances may or may not be ripe for such a separation. Today the product satisfies a social want. Tomorrow the article may, either altogether or partially, be superseded by some other appropriate product. (Capital I, p. 108)

Thus the continual change in the social division of labour repeatedly threatens to thwart the realization of potential value. As Marx goes on to to illustrate with his favourite example of the weaver and his 20 yards of linen;

...our weaver's labour may be a recognised branch of the social division of labour, yet that fact is by no means sufficient to guarantee the utility of his 20 yards of linen. If the community's want of linen, and such a want has a limit like every other want, should already be saturated by the products of rival weavers, our friend's product is superfluous, redundant, and consequently useless. Although people do not look a gift-horse in the mouth, our friend docs not frequent the market for the purpose of making presents.

But suppose his product turns out a real use-value, and thereby attracts money? The question arises, how much will it attract? No doubt the answer is already anticipated in the price of the article, in

the exponent of the magnitude of its value. We leave out of consideration here any accidental miscalculation of value by our friend, a mistake soon rectified in the market. We suppose him to have spent on his product only that amount of labour-time that is on an average socially necessary. The price then, is merely the money- name of the quantity of social labour realised in his commodity. But without leave, and behind the back, of our weaver, the old fashioned mode of weaving undergoes a change. The labour-time that yesterday was without doubt socially necessary to the production of a yard of linen, ceases to be so today, a fact which the owner of money is only too eager to prove from the prices quoted by our friend's competitors. (Capital I, p. 108)

Yet it is not only changes in the mode of producing linen that may interrupt the sale of linen and the realization of its potential value; there may be also be a change in the relation between the total supply of linen and the total social demand for it. As Marx goes on to point out:

Lastly, suppose that every piece of linen in the market contains no more labour-time than is socially necessary. In spite of this, all these pieces taken as a whole, may have had superfluous labour- time spent upon them. 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 labour of the community 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 is socially necessary. (Capital I, p. 109)

Here then, we can see, at the very outset of Marx's analysis of the simple circulation of commodities, the very real obstacles that must be vaulted if the potential value of a commodity is to be realized as actual value in the form of money. We can see the possible interruptions that may disrupt the movement of the first phase of the circulation of commodities. But what of the second phase of this circulation?

P) M - C The underlying problem facing the realization of the movement C - M was that the commodity was not itself immediately exchangeable with other commodities. It had to find an external expression for its exchange- value by placing itself in a relation to money. Money, however, being the universal equivalent, the external expression of exchange-value for all other commodities, is in itself immediately exchangeable with all these other commodities. It would therefore appear that once the commodity had made

the bold leap into money then it would be more or less home and dry.

This is indeed true in terms of the transformation of the single commodity taken in its result. But in taking the form of the universal equivalent, what appeared as the solitary act C - M now emerges as a single link in the innumerable exchanges that make up the general circulation of commodities. The act of sale, C, - M, does not immediately or necessarily imply the subsequent act M - C2. With the mediation of money the exchange of one particular commodity, C,, for another particular commodity, C2, is not, as it is in the case of barter, a single unified act that binds the two commodities together at that instant. Instead two commodities exchange by means of two distinct and independent acts; C - M and M - C.

Having made the leap from the particular commodity into money by sucessfully completing the act C, - M, the commodity owner is now in possession of money which may be used to purchase any other commodity. Hence the subsequent act M - C2 may be replaced by the purchase of any other kind of commodity; ie by M - C3, M - C4, M - C5 etc. Or alternatively the subsequent act of purchase may be delayed and the movement of value within the simple circulation of commodities interrupted as money. As Marx points out:

No one can sell unless some else purchases. But no one is forthwith bound to purchase, because he has just sold. (Capital I, p. 114)

With this observation Marx then rounds on those who adhere to Say's Law:

Nothing can be more childish than the dogma, that because every sale is a purchase, and every purchase a sale, therefore the circulation of commodities necessarily implies an equilibrium of sales and purchases. If this means that the number of actual sales is equal to the number of purchases, it is a mere tautology. But its real purport is to prove that every seller brings his buyer to market with him. Nothing of the kind. (Capital I, p. 114)

And as he adds in the corresponding passage in the Contribution with reference to the commercial crisis of 18S7-58:

The metaphysical equilibrium of purchases and sales is confined to the fact that every purchase is a sale and every sale is a purchase, but this gives cold comfort to the possessors of commodities who unable to make a sale cannot accordingly make a purchase either. (Contribution, p. 97)

Here then Marx comes back to the point of crisis. Say's Law, with its reduction of the simple circulation of commodities to the immediate identity of barter, precludes the possibility of crisis. But systematic and regular exchange of commodities cannot persist within the narrow confines of barter; it requires the mediation of money and with this inevitably comes the possibility of crisis:

Circulation bursts through all restrictions as to time, place, and individuals, imposed by direct barter, and this it effects by splitting up, into antithesis of a sale and a purchase, the direct identity that in barter does exist between the alienation of one's own and the acquisition of some other man's product. To say that these two independent and antithetical acts have an intrinsic unity, are essentially one, is the same as to say that this intrinsic oneness expresses itself in an external antithesis. If the interval in time between the two complementary phases of the complete metamorphosis of a commodity become too great, if the split between the sale and the purchase become too pronounced, the intimate connexion between them, their oneness, asserts itself by producing crisis. (Capital I, p. 115)

So, considered in the dynamic unity of the simple circulation of commodities money has only a fleeting existence that serves to mediate and thus unite the process C - M - C. But at the same time as mediating and unifying this process money also splits it up into two independent and antithetical acts, C - M and M - C. As such the movement of value through this circuit must become interrupted, for a greater or lesser time, as money. With this money begins to appear with its own independent existence. An appearance that comes to fruition with the third function of money: money as money.

*3) Money as money*

The third function of money - money as money - serves as the ground for both money as a measure of value and money as the medium of circulation. It is from the perspective of money as money that the one-sided perceptions of money that arose with its first two functions can be finally resolved. For Marx it is an important failing of bourgeois political economy, including that of Ricardo, that it has failed to fully grasp the nature of money in its third function.

As we have seen, with money as the measure of value, money was present as ideal or imaginary money. Although money as the measure of value

presupposed the real material existence of money as a commodity it did not require its real and material presence. With money as the medium of circulation, money had a real material presence but only as a symbol or token of the real material existence of the money-commodity. Now, however, with money as money, money has to have a real material presence; it must be 'present in its own golden person1. As such it asserts its own independent existence as:

...the sole form of value, the only adequate form of existence of exchange-value, in opposition to use-value, represented by all other commodities. (Capital I, p. 130)

Mane identifies three forms through which money comes to exhibit its own independent existence over and against all other commodities: as a hoard, as a means of payment and as world money. Let us briefly consider each of these in turn.

1. Money as a hoard. Money first asserts its own independence from all other commodities by withdrawing itself from the very process of commodity circulation and becoming a hoard. As we have seen, the process of commodity circulation must become interrupted, at least momentarily, as money. Now if this interruption is indefinitely prolonged then value becomes petrified as a hoard of money. With the miser this petrifaction is no mere accident, but an end in itself. The miser sells not in order to buy but in order to accumulate the universal expression of social wealth and power; an accumulation that has no limits:

The desire after hoarding is in its very nature unsalable. In its qualitative aspect, or formally considered, money has no bounds to its efficacy, i.e. it is the universal representative of material wealth, because it is directly convertible into any other commodity. But, at the same time, every actual sum of money is limited in amount, and therefore, as a means of purchasing has only limited efficacy. This antagonism between the quantitative limits of money and its qualitative boundlessness, continually acts as a spur to the hoarder in his Sisyphus-like labour of accumulating. It is with him as it is with a conqueror who sees in every new country annexed, only a new boundary. (Capital I, p. 133)

While the role of the miser is of historical importance as a precursor to the capitalist, logically she still stands as a mere possibility. But the act of hoarding does not just arise with the miser, although with her it gains its

fullest expression. While money as a hoard stands opposed to the circulation of commodities it still presupposes it and is in constant tension with it. Money can only become a hoard by being withdrawn from circulation and it can only preserve itself as the universal and most adequate form of value insofar as it has the potential to convert itself back into any particular form of wealth by re-entering the circulation of commodities.

But while money as a hoard depends on the circulation of commodities, the continued circulation of commodities comes to depend on a process of hoarding and dishoarding to bring the amount of money into accordance with the value of commodities requiring circulation. As Marx explains in the Contribution:

The total quantity of gold in circulation must...perpetually increase or decrease in accordance with the varying aggregate price of the commodities in circulation... This is only possible provided that the proportion of money in circulation to the total amount of money in a given country varies continuously. Thanks to the formation of hoards this condition is fulfilled. If prices fall or the velocity of circulation increases, then money ejected from the sphere of circulation is absorbed by the reservoirs of hoarders; if prices rise or the velocity of circulation decreases, then these hoards open and a part of them streams back into circulation. (Contribution, p. 136)

This process of hoarding and dishoarding as a means to ensure the continuity of circulation becomes even more important with the more developed circulation of capital, as we shall see when we turn in the following chapter to consider Volume II of Capital. But for now we must proceed to the second form of money as money.

1. Money as the means of payment: As a hoard money came to assert its independent existence by withdrawing from circulation; now, as a means of payment, money asserts its independence by re-entering circulation and gaining its own independent movement.

Commodities may be bought and sold without any immediate exchange of money from the buyer to the seller. The buyer may instead agree to pay the seller at some more convenient date in the future. The relation between buyer and seller then becomes one of debtor and creditor. In this way the circulation of commodities is able to overcome, at least temporarily, the limits imposed by the need for the immediate presence of money - of hard cash'. But sooner or later these debts must be settled by money. The real presence of money is only defered, and money must eventually become hoarded to meet these debts.

However, by overcoming the need for the immediate presence of money by deferring it, not only is the movement of commodities freed from the disciplines of ready cash but also the movement of money becomes independent, or at least relatively autonomous, from the movement of commodities. Thus the independent existence of money becomes also gains its own independent movement

With money as a hoard, and money as a means of payment, we can see then how money emerges with its own distinct and independent existence and movement over and against that of all other commodities. However, before we proceed to consider the implications of this we must briefly, for the sake of comprehensiveness, consider the third form of money as money - world money - which in a certain sense is a something of a digression for Marx's exposition as far as we are concerned.

1. World money. As world money, money obtains its most adequate form as the universal form of value. It is the ultimate form of money as simply money. But any full consideration of this form presupposes an analysis that points beyond Marx's Capital to his proposed but never written books on the state, foreign trade and the world market. So why did Marx retain this section on world money that appears in both the Contribution and Capital?

Firstly, it would seem a matter of theoretical tidiness. With money as world money, where money becomes the citizen of the world, money comes to 'fulfil its concept'. With world money, Marx's analysis of money as simply money comes to a point of closure.

Secondly, Marx has to include world money in order consolidate his critique of Ricardo's quantity theory of money whose essential arguments had been, for Marx, obscured by its reference to foreign trade and the international movements of gold bullion. He therefore has to at least indicate how the laws that govern money as world money may differ, and in some cases are the reverse, of those that govern domestic money.

Whatever other reasons that may be produced to explain the inclusion of world money they do not concern us here. We must return to the implications that arise with the emergence of the independent existence and movement of money as money which were established with its first two forms.

With money coming to assert its own independent existence and movement we reach the closest point to the full expression of the possibility of crisis. In the independent and external form of money, which now can assert its own movement over and against the use-values represented by all other commodities, value can move independently of use-value. Yet there must still be a unity of value and use-value. If these two poles move too far apart then they must be forcibly re-united; and this occurs through crisis, as Marx

elucidates in his Theories of Surplus-Value in terms of the rupture between purchase and sale in the simple circulation of commodities:

If, for example, purchase and sale...represent the unity of two processes, or rather the movement of one process through two opposite phases, and thus essentially the unity of the 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 complimentary 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.

(TSV II, p. 500)

And we should add that this independence between two phases of the simple circulation of commodities only emerges because money is able to gain its own independent existence and movement over and against that of all other commodities.

But, while Marx's investigation in his Theories of Surplus-Value at this point is made against bourgeois political economy on the basis of the question of crisis - and while also, as we have seen, Marx's presentation (Darstellung) in Capital repeatedly returns to, and is propelled forward by, the question of crisis - Marx, in Capital, is not primarily concerned with this question. At this level of abstraction, capitalism is simply an economy of generalized commodity exchange; there can be only the possibility of crisis; and as Marx comments:

The conversion of this mere possibility into a reality is the result of a series of relations, that, from our present standpoint of simple circulation, have as yet no existence. (Capital I, p. 115)

Hence, in concluding the passage where he examines the possibility that a commodity may not be sold - the rupture in the movement C - M - Marx remarks:

Here, however, we are only concerned with the phenomenon in its integrity, and we therefore assume its progress to be normal. (Capital I, p. 110)

Here we see Marx coming to reassert the analysis of the integrity or unity of the commodity and money over that of their opposition and separation, and the consequent question of crisis.

So while the question of crisis repeatedly serves to drive Marx's exposition forward it is not its end. In establishing the independent existence and movement of money, and thus of value, Marx is not primarily concerned with the question of the possibility of crisis - he is not concerned with showing the necessary independence of money in order to refute reformist and utopian solutions to the problem of capitalist crisis as he was in the Grundrisse - but rather with establishing the ontological basis for capital. Consequently the question of crisis has to be closed off and placed at the margins of Marx’s presentation here in Capital. In fact, as we shall show, crisis remains marginal throughout Capital. It belongs to a new presentation (Neue Darstellung) beyond Capital. Here then, we come to a crucial point of closure within Capital.

C) The capital-form

With the analysis of the value-form we saw how Marx derived the necessity for the value of the commodity to take an external expression in the form of money. We then saw how money itself comes to gain its own independent existence and movement over and against all other commodities. An independence that becomes most evident in the midst of rupture and crisis.

With the appearance of money’s own independent existence and movement money can no longer be seen as a mere fleeting servant for the exchange and circulation of commodities; a mere means with which use-values are transferred from the hands of their producers to those of their consumers. The possibility now arises of money becoming the master of commodities; of money subordinating the circulation of commodities and use-values to its own independent movement - the independent and external movement of value.

Having established the opposition and extemalization of value into the material form of the commodity that arises with its money form, and with this the possibility of its own independent existence and movement, Marx is now in a position to derive capital; he is now able to present the transition of value from its money-form into the form of capital. The form within which value finally becomes the self-determining and self-mediating process of its own self-expansion.

How then does Marx make this transition from the money-form to the capital-form? Let us return to the simple circulation of commodities, but this time let us take up the perspective of money.

Unlike the commodity, which enters circulation only then to fall out of it

again once it reaches the hands of its consumer, money, on entering the sphere of circulation is constantly being displaced from one hand to another. From the perspective of money's own movement circulation therefore appears as an extended chain of exchanges as follows:

...M-C-M-C-M-C-M...

A movement that cannot only be reduced to the common phase of simple commodity circulation (i.e. C-M-C) but also to its inverted form, M - C - M. With this expression money is seen as the beginning and end of the process, (which is now buying in order to sell rather than selling in order to buy) while the commodity appears as merely its means.

Yet as such this process does not have its own motivation; it is merely an inverted reflection of the simple circulation of commodities. With the simple circulation of commodities, the commodity is sold because it possesses the quality of a non-use-value for its producer but at the same time has a use- value for the owner of money. Having transformed her commodity into money the commodity producer can then buy another commodity that does have the quality of being a use-value for her. Thus the motive force for simple circulation of commodities arises from the qualitative difference in commodities with respect to their use-values. In its inverted form - M - C - M - there can be no such qualitative difference since money is the same homogeneous commodity.

Yet as we saw with the miser, money may become coveted and accumulated for its own sake. The motive for the inverted form of the simple circulation of commodities may therefore become the quantitative difference between M, and M2. This inverted form of the simple circulation of commodities then becomes expressed in what Marx terms the general formula of capital, or, altemadvely, the formula of merchant capital:

M - C - M'

Where M < M’

Here the miser, who accumulated money by selling but not buying, now develops into the merchant who accumulates money not by withdrawing money from the process of circulation but by buying commodities cheap and selling them dear.

Whereas the motive force for the simple circulation of commodities lay outside the sphere of commodity exchange itself in the needs and desires of the commodity producers themselves, the motive force for the circulation of the merchant becomes internal to it. It emerges as the insatiable accumulation

of the universal and abstract wealth represented by money. With this formula we find the formal expression of capital - the process of the self-expansion of value.

In developing into the form of capital, value comes to subordinate the movement of use-values to its own ends - to its own self-expansion. As capital, therefore, value becomes an independent and objective force whose movement appears autonomous from the will and desires of human beings. But for value to take up the form of capital it has to overcome an important contradiction between its own general expression and the circulation of commodities.

Taken in its 'integrity', in its 'normal' course, the circulation of commodities appears as being based on the free and equal exchange of commodities. Commodities have, for the most part, been assumed to exchange according to their values. But the circuit of merchant capital implies unequal exchange. Either the merchant buys commodities below their value and then sells at their value, or else she buys them at their value but then sells them above their value. In either case the merchant must be able to impose an unequal exchange in either the first phase of buying, or else in the second phase of selling. While for each individual merchant there may be a possibility of taking advantage of the divergence of the prices of commodities from their values in order to buy cheap and to sell dear, overall it is a zero sum game since the total value in circulation is predetermined by the values created in production. One dealer's gain must be another's loss. Hence there can be no general basis for merchant capitalist's profit, and thus for the self-expansion of value, within the circulation of commodities. With the generalization of commodity exchange, merchant profit, by itself, become impossible.

How then is it possible for value to become self-expanding within a world of equal exchange? How is the transition from money to capital to be made? The answer is that the capitalist must find a commodity which can be used to create a value greater than that embodied within itself; and the only such commodity is labour-power. As Marx argues:

The change of value that occurs in the case of money intended to be converted into capital, cannot take place in the money itself, since in its function of means of purchase and of payment, it does no more than realise the price of the commodity it buys or pays for; and, as hard cash, it is value petrified, never varying. Just as little can it originate in the act of circulation, the re-sale of the commodity, which does no more than transform the article from its bodily form back again into its money-form. The change must, therefore, take place in the commodity bought by the first act, M - C, but not in its value, for equivalents are exchanged, and the commodity is paid its

full value. We are, therefore, forced to the conclusion that the change originates in the use-value, as such, of the commodity, i.e. in its consumption. In order to be able to extract value from the consumption of a commodity, our friend, Moneybags, must be so lucky as to find, within the sphere of circulation, in the market, a commodity, whose use-value possesses the peculiar property of being the source of value. The possessor of money does find on the market such a special commodity in capacity for labour or labour- power. (Capital I, p. 164)

The value of labour-power is determined, like the value of any other commodity, by the labour time necessary for its reproduction. In order to reproduce labour-power it is necessary to maintain the worker as a living individual who can continue to posses the capacity to labour. The labour time necessary to reproduce labour-power is consequently that which is required to produce the means of subsistence consumed by the worker and her family.

In taking possession of the labour-power of the worker the capitalist takes possession of the very source of value. By putting the worker to work, by consuming her labour-power, the capitalist is able to gain possession of freshly created value through the embodiment of the worker's labour in the final product. Yet the value the worker creates through the objectification of her labour is determined quite independently from the value of her labour- power. It is therefore possible for the capitalist to obtain a value at the end of the production process very much different from the value she paid for the worker's labour-power.

It is from this difference between the value of labour and the value of labour-power that we find the very basis of surplus-value and profit and hence of the self-expansion of value as capital. Indeed Marx ranks his discovery of the distinction between labour and labour-power alongside his distinction between abstract social labour and concrete private labour as the greatest advance over bourgeois political economy that he makes in Capital. By uncovering this vital distinction between labour and labour-power Marx is able to show in his theory of surplus-value how the semblance of capitalism as an economy based on the free and equal exchange of commodities is in fact based on the exploitation of labour. But in developing his theory of surplus- value Marx has to pass beyond the semblance of capitalism as an economy of generalized commodity exchange to examine its essential relations of production. As Marx himself concludes:

The consumption of labour-power is at one and the same time the production of commodities and of surplus-value. The consumption of labour-power is completed, as in the case of every other

commodity, outside the limits of the market or of the sphere of circulation. Accompanied by Mr. Moneybags and by the possessor of labour-power, we therefore take leave for a time of this noisy sphere, where everything takes place on the surface and in the view of all men, and follow them both into the hidden abode of production, on whose threshold there stares us in the face 'No admittance except on business.' Here we shall see, not only how capital produces, but how capital is produced. We shall at last force the secret of profit making.

The sphere that we are deserting, within whose boundaries the sale and purchase of labour-power goes on, is in fact a very eden of the innate rights of man. There alone rule Freedom, Equality, Property and Bentham. Freedom, because both buyer and seller of a commodity, say of labour-power, are constrained only by their own free will. They contract as free agents, and the agreement they come to, is but in which they give legal expression to their common will. Equality, because each enters into relation with the other, as with a simple owner of commodities, and they exchange equivalent for equivalent. Property, because each disposes only of what is his own. And Bentham, because each looks only to himself....

On leaving this sphere of simple circulation or of exchange of commodities, which furnishes the 'Free-trader Vulgaris' with his views and ideas, and with the standard by which he judges a society based on capital and wages, we think we can perceive a change in the physiognomy of our dramatis persona. He, who was before the money-owner, now strides in front as the capitalist; the possessor of labour-power follows as his labourer. The one with the air of importance, smirking, intent on business; the other, timid and holding back, like one who is bringing his own hide to market and has nothing to expect but a hiding. (Capital I, p. 172)

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So, we have seen that with repeated reference to the question of rupture and crisis Marx was able to establish the independent existence and movement of value in its money-form, which then allowed him to identify capital as the form of self-expanding value. Thus we find that, while this question is at this point ever present, it is always marginal to Marx's principal line of theoretical development, since, at this stage, Marx's main concern is to present the derivation of capital in its integrity.

This marginalization of the question of crisis and rupture becomes even more pronounced now that Marx comes to delve into the essential relations of

capitalist production with the development of his theory of surplus-value, as we shall see.

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II. The theory of surplus-value

In the first part of this chapter we followed in some detail the development of Marx's analysis of the commodity-form that is set out in the opening chapters of Capital. With this analysis we saw how Marx came to pose the question of the possibility of capitalism as an economy of generalized commodity exchange. However, in the course of addressing this question Marx increasingly came to invoke its inverse - the impossibility of capitalism; that is, the possibility of its crisis and rupture. As we saw Marx did not seek to deny or preclude crisis; in fact it remains preserved within his abstract social labour theory of value - and indeed it was repeated reference to this very question which served to drive Marx's analysis of money forward and thereby allowed him to derive the very category of capital.

Yet, for Marx, the question of crisis, however important to a socialist critique of capitalism, could, for the most part, only be deferred at this stage in his analysis. In fact, as we shall now see, in setting out his 'great discovery' - his theory of surplus-value - Marx has to fully marginalize and suppress this question along with that of class subjectivity and the counter-dialectic of class struggle. This, as we shall conclude, becomes reflected in what we shall term the provisional attenuation of Marx's abstract social labour theory of value into that of a quasi-embodied labour theory in the course of this exposition, and for that matter in the rest of the three volumes of Capital.

However, in the second part of this chapter, our main concern will be to see how the first fold of the closure that we have identified is both sustained and intensified within Marx's theory of suiplus-value. We shall therefore come to see how the attenuation of Marx's abstract labour theory of value parallels the attenuation of Marx's consideration of the capitalist production process from that of a subjective/objective process of alienation to that of an objective process of exploitation.

Before we consider how Marx's exposition of his theory of surplus-value - around which Volume I, and in fact Capital as a whole, is constructed - comes to impose and sustain this two-fold provisional closure in his broader thematic, we must first of all set out its salient points of development. Since the analysis of the remaining parts of Volume I of Capital are perhaps the most well known and commented upon of Marx's work and are not immersed in the dialectical complexities of form and substance that characterized his

analysis of the commodity-form we need not detain ourselves too long in this task.

1. The theory of surplus-value and the accumulation of capital
2. *The presuppositions for the production of surplus-value (the reduction of labour to variable capital)*

As we have seen, there is no basis for the self-expansion of value within the realm of free and equal exchange of money and commodities. If 'Mr Moneybags' is to make his money act as capital he must first buy labour- power and then put it to work in creating new values in the sphere of production. He must take possession of the very labour processes through which new commodities are produced. So Marx now proceeds to consider the labour process which produces commodities.

The labour process through which a commodity is produced is at one and the same time a process that produces the commodity's use-value and a process that produces that commodity's value. Hence, like the commodities that it produces, the capitalist labour process is two-fold. In chapter 7 Marx considers these two opposed aspects of the capitalist labour process in turn.

Taken in abstraction, the capitalist labour process, in its aspect as the production of use-values, is like any other form of labour process. It stands as a universal process of human labour; as nothing other than simple human praxis. It is simply conscious human activity that seeks to transform nature to its own ends and purposes. As Marx puts it;

Labour is, in the first place, a process in which both man and Nature participate, and in which man of his own accord starts, regulates, and controls the material re-actions between himself and Nature. He opposes himself to Nature as one of her own forces, setting in motion arms and legs, head and hands, the natural forces of his body, in order to appropriate Nature's productions in a form adapted to his own wants. By thus acting on the external world and changing it, he at the same time changes his own nature.

(Capital I, p. 173)

All such human praxis, regardless of the specific social form it may assume, is constituted by three essential elements, which Marx identifies as follows:

...1, the personal activity of man i.e. work itself, 2, the subject of that work, and 3, its instruments. (Capital I, p. 174)

Firstly, there must be purposeful human activity - human labour. But this labour must have something external to work on. So secondly there must be a subject of work, which may be furnished either directly or indtrecdy from nature. Thirdly, as soon as it becomes at all developed, human labour must not only have something to work on but also something to work with - that is, some form of an instrument of labour such tools or machines with which to augment the limited powers of the human mind and body. The more human labour develops the more the subjects and instruments of labour become themselves the products of earlier human labour (with the subject of human labour thereby becoming what Marx terms raw materials) and together come to constitute the necessary conditions of present human labour. Without these necessary conditions of labour, without these means of production, labour can only remain as a mere potential. It is this very condition that the wage-labourer finds herself in before the capitalist, as we have previously noted.

So, insofar as the capitalist labour process is one of the production of use- values, insofar as it simply seeks to transform nature to human ends and purposes, it stands as a representative of universal human labour, albeit in its most advanced and developed form. It is this aspect, as Marx points out, that bourgeois political economy holds aloft when it seeks to present the capitalist mode of production as the mode of production that is both natural and eternal. Yet this ignores the other aspect of capitalist production from which it derives its historical specificity; its aspect as a process of valorization.

In producing commodities the capitalist labour process not only produces use-values but values. Yet it is not the production of values as such that is the object of the capitalist production process but rather the production of surplus-value. As Marx rather ironically points out, if at the end of the production process the value of the commodities produced merely replaced the value of the labour-power and the means of production consumed in their production then the capitalist will be a little more than just peeved. The sole drive and purpose of the labour process under the rule of capital is not the production of use-values to direcdy meet human needs nor simply the production of exchange-values with which to satisfy human needs via exchange, but the production of surplus-value with which to expand capital.

The question that Marx now addresses is: how is the labour process subsumed to the production of surplus-value and thus to the quantitative expansion of capital?

There are two fundamental preconditions for capitalist production. Firstly the means of production must be readily available as commodities that can be purchased by a sufficient quantity of money. Secondly the direct producers must be dispossessed from both the means of production and the means of

subsistence so that their only means of survival is through the sale of their labour-power. On the basis of these two fundamental preconditions the capitalist is in a position to interpose him or herself between the worker as the bearer of labour, and the subject and instruments of that labour without which nothing can be produced. To take advantage of this the capitalist must first of all convert a part of her money-capital into those commodities which may serve as means of production, and then use the remaining portion of her money-capital to purchase the labour-power of the worker. As a result the worker is only able to gain the means of subsistence by working, and can only work by selling her labour-power to the capitalist. The capitalist is therefore able to take possession of the value-creating properties of the worker's labour by putting her to work with the means of production and consuming her labour-power as labour in the process of production.

So, seen from the perspective of the capitalist, the original sum of money- capital must divest itself of its monetary form and assume the material and objective forms of both labour-power and the means of production. But in assuming these two distinct material forms capital acts at the same time to subsume them as objective moments within its own movement of self­expansion. Labour-power becomes subsumed as variable capital, while the means of production become subsumed as constant capital. As such these two parts of productive capital have two quite distinct objective functions in the valorization process through which new values are produced and capital expanded. Labour-power, being set in motion as labour, functions as the active principle of capital that acts on and transforms the inert and passive material forms of the means of production that comprise constant capital. It takes hold of the raw materials and instruments of labour and works them up into new commodities with new use-values bearing new and expanded values.

As the active objective principle of capital, as variable capital, labour's function with respect to the process of valorization is two-fold. Firsdy labour acts to preserve the value of the means of production used up in the labour process. The past labour embodied in the in material forms of the means of production, and represented by their value, is transferred, and thereby preserved, by the action of labour into the new material forms of the final product which it creates. Secondly, labour acts to create new value which is added to that preserved from the means of production. This freshly created value that becomes embodied in the final product presents itself in two parts; that part which serves to replace the value of labour-power, the value advanced for the worker's means of subsistence, and a second part beyond this, which constitutes surplus-value, which is then appropriated 'free of charge' by the capitalist

From this Marx is able to derive his well known formula for the value of the commodity under the conditions of capitalist production:

W = V + c + s

That is to say: the value of the final product, w, equals the value of variable capital (i.e. the value of labour-power), v, plus the value advanced for constant capital (i.e. the value paid for the means of production used up in the period of production), c, plus surplus-value, s.

So with this analysis of the capitalist labour process that is set out in chapters 7 and 8 we find the preconditions for Marx's theory of surplus-value. Yet in preparing the way for Marx's exposition of his theory of surplus-value we can discern an abrupt shift in emphasis away from subjective/objective ontology of the labour process as human praxis towards the reified forms of the labour process as a process of valorization. As a result labour comes to be considered only insofar as it can be reduced to an objective moment within capital's process of self-valorization. Reduced to the objective form of variable capital, labour-power, and indeed the worker, becomes counterposed to the means of production, not as subject to object, but as the active, as opposed to the passive, objective component of capital. The relation of labour to capital thereby appears as the reified relation of variable to constant capital; as a purely objective relation that finds its quantitative expression in what Marx later terms the value composition of capital as follows:

k = c/v

Where k is the value compostion of capital.

Labour-power appears as a mere quantitative and objective element of productive capital. As a consequence the worker himself stands within this analysis as a mere object - as a mere thing - as Marx himself admits in passing:

Man himself, viewed as the impersonation of labour-power, is a natural object, a thing, although a living conscious thing, and labour is the manifestation of this power residing in him (Capital I, p. 196)

Here then, right from the start of Marx's theory of surplus-value, we can see how Marx closes off the subjective by emphasizing the objective and reified relations of the capitalist production process. But let us now proceed to consider how this is further developed within Marx's presentation of the theory of surplus-value as such.

With the commencement of production, as we have seen, labour-power becomes counterposed to the means of production as variable to constant capital. Through the course of production, labour-power, in creating fresh value, now becomes counterposed to the surplus-value that it itself creates.

Insofar as the capitalist is able to force the worker to work beyond that time required to reproduce the value of labour-power which the capitalist advanced as variable capital, then the new value created by the labour of the worker comprises two parts and is expressed as:

X = s + v

Where X is the value created by living labour.

The degree to which the capitalist is able to force the worker to produce surplus-value - that is, the degree to which the capitalist can exploit the worker - is then quantitatively expressed by the proportion of newly created value the capitalist can appropriate as surplus-value to that part which merely replaces the value advanced to pay for the worker's labour-power. That is, by what Marx terms the rate of surplus-value (or alternatively the rate of exploitation), e:

e = s/v

The essential relation of capitalist production can now be seen as the exploitation of labour by capital which assumes an objective and quantifiable expression in the rate of surplus-value. Here, with the exploitation of labour and the consequent production of surplus-value we can see how, in the process of capitalist production, the ceaseless drive of the capital-form to leap beyond its quantitative limits is substantiated. The question that Marx must now ask is how can capital overcome its own quantitative limits by increasing the rate of surplus-value (and subsequently how does this serve to qualitatively transform the very nature of the production process)?

The rate of surplus-value can be increased extensively, through what Marx terms the production of absolute surplus-value, or else intensively, through what he terms the production of relative surplus-value. Let us briefly consider each of these in turn.

With the production of absolute surplus-value the capitalist seeks to produce ever more surplus-value by extending the length of the working day. If the time required for the worker to reproduce the value of her own labour- power is constant then any extension of the working day will lead to an

increase in the labour time devoted to producing surplus-value. Hence by lengthening the working day the capitalist is able increase the production of surplus-value and thereby raise the rate of surplus-value. For instance, if it takes the worker four hours of labour to produce the value of her labour- power and the worker is obliged to work eight hours a day, then the worker will work for four hours producing surplus-value for the capitalist and the rate of surplus-value will be 100%. If, however, the capitalist is able to make the worker work for twelve hours with no extra pay then the worker will produce eight hours of surplus-value for the capitalist and the rate of surplus- value will double to 200%.

Of course there are strict limits to the actual extension of the working day since there are only so many hours in the day and only so many days in the week and the worker needs time to recuperate. Against this the capitalist will make every effort to squeeze every last minute of the day that she can from her workers. It is therefore this endless drive towards the production of absolute surplus-value which presses the capitalist to force her workers to worker harder and longer, but such efforts are ultimately limited by the length of the working day and the stamina of the workers. These limits can only be overcome through the production of relative surplus-value.

The production of relative surplus-value is achieved through the application of new techniques of production and new technologies which increase the productive power of labour. Insofar as the value of labour- power is determined by a given set of use-values that comprise the means of subsistence of the worker, then, with the growing productive power of social labour, the socially necessary labour time required to produce these use- values will tend to decline. As a result the value Of the worker's means of subsistence will fall and along with it the value of her labour-power. With this fall in the value of labour-power the worker will be able to reproduce the value of variable capital in a shorter working time. With the length of the working day given, the worker will therefore be working for a longer time producing surplus-value for the capitalist

For example, if our worker works for twelve hours, of which four reproduce the value of her labour-power, then, as we have seen, the rate of surplus-value is 200%. Now, suppose the time it takes for the worker to reproduce the value of her labour-power falls to two hours. Then, given that the working day remains at twelve hours, the worker will now be working for ten hours for the capitalist and hence the rate of surplus-value will double to 500%.

Hence, through both the production of absolute and relative surplus-value, through both the intensive and extensive exploitation of labour, capital is able to realize itself as self-expanding value. It continually seeks to overcome barriers to its own quantitative expansion but in doing so it comes to alter the

very character of the labour process, subsuming it to its own nature.

Marx examines this qualitative transformation of the production process brought about through the drive for the production of relative surplus-value in Part IV of Volume I. Here, in great detail, Marx traces out the vast increase in the productive powers of labour that the specifically capitalist mode of production had already achieved in his day. From the advantages of the division and cooperation of labour that came into being with the emergence of the factory system, to the harnessing of science and technology with the mechanization and automation of production, Marx recounts vividly the historical development of the capitalist mode of production. However, while this account of the enormous development of the productive forces brought about by the relendess drive for the production of relative surplus-value is amply illustrated by its dire consequences for the plight of the working people, its primary theoretical concern is the objective development of capitalist production as a force in itself. The implications drawn out for the plight of the working people, and indeed of humanity as a whole, are at this stage merely a counterpoint to Marx's main theoretical theme.

So, in the presentation of Marx's theory of surplus-value as such, we can see the relation of capital to labour, which is essential to capitalist production, being set out as both an objective and quantifiable relation; as the relation of variable capital to surplus-value. Having been reduced to variable capital the labour of the worker remains within this analysis as a mete object, but now it appears not as an active but as a passive object; a natural barrier to the production of surplus-value. A mere object of exploitation. Let us consider this important point a little more closely.

The production of both absolute and relative surplus-value is limited by the worker's need to rest and recuperate, which limits the length of the working day, and by the worker's need for a given means of subsistence, which determines the value of her labour-power. Yet such needs of the worker, from the perspective of the production of surplus-value, are simply external and natural barriers to be overcome. The production of surplus-value, and its analysis, must ceaselessly drive towards the reduction of the worker to mere biological necessity. Indeed as we have previously noted when we considered the incorporation of the book on wage-labour, it is only at the very margins of the theory of surplus-value that this reification of labour into a mere natural object is in any way reversed, and then as only a tangential digression.

In quantitative terms, as we have seen, the needs of the worker are, beyond a certain point, irreducible. The worker needs so much time to recuperate and so much means of subsistence to restore her labour-power. A quantitative barrier that can only be deferred by the production of relative surplus-value which by increasing the rate of surplus-value comes to

qualitatively transform the process of production and with it the relation between variable capital and surplus-value.

Even in Part IV where Marx moves from the quantitative to the qualitative aspects of the production of surplus-value, his main concern is to show how the drive to increase the production of relative surplus-value manifests itself in the historical transformation of the technical relations of production and the objective organization of labour as a productive force. The worker, and indeed the working class, remain here as mere object (albeit an historical one).

*iii) The reproduction of the preconditions of capitalist production*

With the theory of surplus-value it becomes clear that capital can only realize itself as self-expanding value through the exploitation of labour. It can only break through its quantitative limitations through the extraction of surplus- value from living labour, and this is given quantitative expression as the rate of surplus-value, s/v. However, for capital to maintain itself as self-expanding value this surplus-value must itself become, at least in part, expanded capital; that is, it must accumulate as capital. We therefore come to the theory of reproduction and accumulation of capital which finds its quantitative expression in the rate of profit:

r = s/ (c + v)

This we find in Part VII of Volume I. Let us then consider Marx's theory of accumulation.

The structure and development of Marx's argument in Part VII lacks the overall clarity that was evident in the earlier chapters of Capital. We find Marx's presentation repeatedly interrupted by rather minor digressions that address certain points raised by bourgeois political economists, revealing this part of Volume I to be still very much a work in progress. Yet despite its lack of polish we can still summarize the principle arguments at work rather succincdy.

For capital to sustain itself as self-expanding value it must be able to reproduce its own preconditions and this reproduction is two-fold. Firstly it must reproduce the material preconditions for further production. So at the end of the production process it must have reproduced the means of production and the means of subsistence consumed during the production process. But to accumulate it must not only reproduce these means of production and subsistence, it must reproduce them on an expanded scale. It must create the material conditions for its own expansion via the expansion of

the preconditions of material production.

Secondly, capital must reproduce itself as a social relation. It must reproduce the conditions in which the worker has nothing to sell but her labour-power. The capitalists must therefore find themselves at the end of the production process in the exclusive possession of both the means of production and the means of subsistence so that worker is excluded from them.

How then does capital reproduce its own social and material preconditions? The short answer to this is that at the end of the production process both the means of production and the means of subsistence emerge in the form of commodities that are the private property of the capitalists. The workers, who have consumed the means of subsistence produced in the previous production cycle, once more find themselves with only their own labour- power to sell to replenish their means of survival. Thus the workers must again enter the labour market to sell their labour-power, and again the capitalists will have the means with which to pay for it. But it is not enough merely to reproduce this precondition; it must be reproduced on an expanded scale if capital is to accumulate.

How then does Marx proceed?

Firstly we must point out that Marx, in considering the reproduction of the material preconditions for capitalist production, is not at this point concerned with determining the precise quantitative relations between the means of production and the means of subsistence that must hold between particular departments and branches of industry to ensure the successful accumulation of capital; that as we shall see is considered in Volume II with the schemas of reproduction. What Marx is primarily concerned with here in Volume I is how capital as a whole, in producing the means of production and subsistence as commodities, can purchase the means of production from itself, and sell the means of subsistence in exchange for labour-power, in accordance with the laws of free and equal exchange of the circulation of commodities. Marx is therefore primarily concerned with the quantitative relations of value.

At the beginning of production capital comprised the combined value of the means of production and the means of subsistence exchanged for labour- power. At the end of production we have a mass of commodities whose value has been augmented by surplus-value expropriated in the course of production. So we have:

c+v=>c+v+s

or

C => C + s

The value of capital advanced, C, has become augmented by the production

of surplus-value, s.

For capital to accumulate not only must the original value of the capital re­enter the subsequent production cycle by assuming the material forms of both the means of production and the means of subsistence but so must surplus- valuc. Surplus-value must become capital; it must become capitalized by assuming the material forms of an increased mass of means of production and subsistence. At least in part,

s => AC

It can be seen then, that taken as a whole, capital can only accumulate insofar as surplus-value is capitalized in subsequent production cycles. The rate of accumulation is therefore limited, and hence ultimately regulated, by the relation of surplus-value to the mass of originally advanced capital - that is by the rate of profit. That is, if the rate of accumulation is:

g = AC/C

and given that

s = AC

then it follows that with

r = s/(c + v) = s/C

then

r = g

It is only insofar as surplus-value is capitalized that capital can accumulate because a certain part of the surplus-value produced must be consumed by the capitalist as unproductive revenue. Surplus-value therefore becomes divided into that part which is to be capitalized and that part which is to be consumed as revenue. We therefore have the expression:

s — R + AC where R is the revenue of the capitalist.

The rate of accumulation thereby becomes:

g = (s-R)/C

However, in becoming capitalized surplus-value is further divided into that part which is capitalized in the material form of the means of subsistence to be exchanged for labour-power and that part which is capitalized in the form of the means of production. We therefore have the expression:

s = R + Ac + Av

Here then we have the quantitative value relations that must hold to ensure that capitalist production is able to reproduce its material preconditions in the realm of exchange without rupture or crisis. But as we have noted it is not enough for capital to supply the necessary quantities of the means of subsistence and production in the form of commodities. It must also have an ample supply of labour-power which it does not directly produce itself. So Marx must now consider how capital accumulation comes to regulate the reproduction of labour-power through the growth of the working population.

The accumulation of capital faces an external barrier in the limits to the natural growth in the working population. It is no good for the capitalist class as whole to expand the production of the wage goods if the amount of labour-power that they can command is limited. Given that the supply of labour-power is directly limited by the size of the population then the increase in the amount of variable capital that can be accumulated will be limited by the growth in the working population. With a constant value composition of capital this limitation on the accumulation of variable capital will at the same time be a barrier to the accumulation of capital as a whole.

However, capital can constantly defer this ultimate barrier imposed by the limited growth of the working population by revolutionizing the production process so that the value composition of capital is reduced. Here, in graphic detail, Marx describes at great length how capital, through continued technological change and reorganization of production, comes to repeatedly expel labour from the process of production. How it protects itself from the limitations of the natural growth of the working population by the creation and maintenance of an 'industrial reserve army' of unemployed workers. And how, as a result, the working conditions of working class alternate between the overworking of capitalism's boom times to the enforced idleness of its slumps.

Yet while Marx describes in graphic detail how the rhythms of the accumulation of capital impose themselves, and thereby regulate the conditions of the working class, he is still only concerned with the working class as object; in itself, as the simple aggregation of individual workers, as an objective condition for capital's accumulation. Just as the worker stood as an objective and natural barrier to the production of surplus-value, so now does the natural growth in the working class stand as an objective and natural limit to the accumulation of capital. Indeed here we only see the production of both relative and absolute surplus-value writ large, in terms of not merely of production but in terms of the unity of both production and circulation.

With Marx's theory of accumulation we see how the production of surplus- value logically produces its own material and social presuppositions. And

once more we can see Marx setting out from the quantitative and objective relations of capitalist production. Even when Marx proceeds to the qualitative it is still firmly rooted in the objective. The worker, now the working class, remains as mere object regulated by the rhythms of the objective laws of the dialectic of capital. This is further sustained, although necessarily to a lesser degree, in Marx's analysis of the historical genesis of capital in the concluding Part VIII of Volume I which is concerned with the 'primitive accumulation of capital'. We have dealt with this before in chapter 7 and need not consider this conclusion to Volume I any further here.

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So to conclude: in the presentation of Marx's theory of surplus-value that we find in Capital we can see that Marx comes to emphasize the objective; that is, he is primarily concerned with the manifestation of the essential social relations of capitalist production in the reified and quantifiable categories of political economy. These reified categories are given quantitative expression by the three ratios, k, e and r, which then mark the development of Marx's theory of surplus-value. So, while k = c/v marks the preconditions of the production of surplus-value, e = s/v marks the production of surplus-value itself and r = s/(c + v) marks the post-conditions of the production of surplus- value (or surplus-value as its own presupposition).

This emphasis on the objective - this closing off of the counter-dialectic of class struggle - becomes far more evident if contrasted to the process of investigation that led up to the presentation of Marx's theory of surplus-value in Capital. As we shall now see in the following section of this chapter, in his investigation into the production of surplus-value Marx is far more concerned with how the social relations of capitalist production become reified; how, for example, labour becomes reduced to a mere objective component of capital - as variable capital. Capitalist production is consequently seen as not merely an objective process of exploitation but also as an ontological process of alienation; a process in which the worker not only produces surplus-value for the capitalist but in doing so is reduced from subject to object while producing capital as an alien subject

1. Alienation and exploitation in Marx's theory of surplus-value

The dialectic of human praxis - and preserved within this the whole question of human alienation - forms the ontological basis for the entire Marxian project; and it is in no way displaced within Marx's critique of political economy. Indeed, as a critique and as a advocation of communism, this

problematic of a critique of political economy is ultimately incomprehensible in the absence of this ontological basis. As Arthur has noted:

On the basis of...[the] ontological priority accorded to productive activity all modes of production are open to radical critique. It is the interplay in Marx's theory between the permanent moment of mediated unity of man and nature, and the historically specific forms that this takes, that allows critical space for the diagnosis of the self­supersession of a given form. (Arthur 1986, p. 143)

In fact we could say that Marx's critique of political economy is driven forward by the very ontological question of how, in the social forms and categories historically specific to the bourgeois epoch, the process of human productive activity becomes at one and the same time a process of alienation and reification. If this is so then it would seem reasonable to expect that with the theory of surplus-value, where Marx comes to set out the essential laws and forms of capitalist production itself, that such ontological questions would stand well to the fore. And indeed this is evident in the very opening of Marx's presentation of the theory of surplus-value where he considers the two-fold character of the capitalist labour-process.

Firstly, as we have seen, considered in its character as a process for producing use-values the capitalist labour-process appears as simply a process of universal human praxis, as a first order mediation that serves to unite the human being with nature and society. Secondly, seen as a process of valorization, the capitalist labour process can be understood as a second order mediation. A mediation in which the unity of the human being with nature and society is not only an alienated unity but also one that is historically specific. Hence we may say that the two-fold character of the capitalist labour process is a distinction that can be seen to derive directly from the basic ontology of human praxis. A distinction inscribed at the very outset of Marx's theory of surplus-value.

However, in moving on to the relation of variable and constant capital in chapter 8, Marx proceeds to develop the theory of surplus-value primarily as a theory of exploitation. A line of theoretical development within which the working class only enters as expbited object rather than as alienated subject. Only after the quantitative analysis of the production of surplus- value has turned into the qualitative analysis of the changes in the very nature of the labour process brought about by the production of relative surplus- value do we find the worker cast in any way as subject. Only then do we find the worker situated in the poverty of exclusion and only then do we find, in historical terms, the subjective resistance of the worker to the advance of capital (with for example Marx's description of the Luddite movements in

chapter 15). Even then the worker as subject is for the most part confined to empirical and descriptive digressions that are peripheral to the main theoretical thrust of the theory of surplus-value.

Thus we find that despite all its early promise, the principal line of theoretical development of Marx's theory of surplus-value that is presented in Capital comes to bury its ontological basis, and with it the subjectivity of the counter-dialectic of class struggle, and instead asserts the objectivist logic of capital. This is witnessed by the numerous 'objectivist' readings of Capital. From the Althusserian readings, that deny all connection of Capital to the writings of the early 'immature' Marx, to the readings of the Neo-Ricardians, who seek to reduce Marx's theory of exploitation to a pure objectivist theory of the distribution of a social product. So we may well ask once more: why is this?

As we saw when considering the 'problem of the beginning' in the previous chapter, the social relations between human beings become manifest within bourgeois society as relations between things. This reification of social relations means that the economic relations of the capitalist mode of production present themselves as objective laws and categories. And it was as such that they were grasped by bourgeois political economists. Therefore, in making his critique of political economy Marx had to start with bourgeois economic relations as object. Their subjective side had to be suppressed. Hence Marx began with the simplest bourgeois economic form, value as object - that is, as the commodity. In developing value into its form as capital Marx has to reassert it as object. He has to establish the objective laws of capitalist production independently and in abstraction from its subjective determinations. It is in this way that he comes to provisionally assert the dialectic of capital over the counter-dialectic of class struggle as a logical necessity.

As a consequence of all this the whole question of human alienation that arises with the ontology of human praxis becomes necessarily attenuated in Marx's theory of surplus-value to that of the problem of exploitation. The problem of the alienated subject thereby becomes closed off. But it is only provisionally closed off. We can still see in the problem of exploitation the problem of alienation albeit in attenuated form. In fact we may say that the problem of exploitation is simply the objective and quantitative aspect of the problem of human alienation within the capitalist mode of production.

Having restated our thesis concerning the provisional closure of the subjective in relation to Marx's presentation of the theory of surplus-value we must now see how it became consolidated.

The attenuation of the problem of alienation into that of exploitation within the presentation Marx's theory of surplus-value in Capital becomes evident once we consider it in relation to the formation of this theory, not only in terms of the Grundrisse but also in what has become known as the 'missing sixth chapter' of Capital.

This 'missing sixth chapter' or, to give its full and proper title, the 'Results of the immediate process of production', was written between 1863 and 1866 and was a fragment of the preliminary drafts of Capital which Marx was writing at that time. According to Mandel, in his introduction to the English translation of this fragment, the 'Results of the Immediate Process of Production' was to have been the seventh chapter of Volume I. This is indicated by a provisional list of contents contained in one of Marx's notebooks which is thought to have been written in 1862 and which Mandel details as follows:

After the first five parts, which are maintained in the final version, it reads as follows:

1. Reconversion of surplus-value into capital. Primitive accumulation. Wakefield's colonial theory.
2. Results of the production process. - The change in the form of the law of appropriation can be shown either under 6 or 7.
3. Theories of surplus-value.
4. Theories of productive and unproductive labour.

(Capital \*1, p. 943)

Chapters 8 and 9 of this plan were subsequently dropped to be incorporated into Marx's Theories of Surplus-Value. Furthermore, the first chapter (which corresponds to Part 1 in the final published version) was then to have been designated as an introduction leaving the fragment being marked as chapter 6. Hence it is referred to as the 'missing sixth chapter'. In the final version, however, what had been chapters became parts. What was to have been chapter 6 was then dropped and replaced by the present Part VI (Wages) that came with the incorporation of the book on wage-labour, while money and commodities was reincorporated into the main text as Part I.

So what then do we find in this 'missing sixth chapter'? In broad content Parts II and III, which are the parts most relevant for our purposes, recapitulate the entire theoretical development of the theory of surplus-value that is contained in Parts IV and V of Capital as it exists today. The question that arises is why, given that Marx had considered in great detail the theory of

surplus-value in Parts IV and V should he deem it necessary to go over this ground once more before bringing Volume I to its conclusion? What was it in his original treatment of the theory of surplus-value that was inadequate?

We may obtain a possible answer to this question if we consider this recapitulation of the theory of surplus-value a little more closely. What we find in Parts II and III of the 'missing sixth chapter' is an attempt by Marx to come to grips with the fetishized character of capital. Marx is concerned to show in detail how capital as first and foremost a social relation manifests itself as a thing - that is how the capital relation becomes reified. In fact we may say that 'missing sixth chapter' has an homologous relation to the theory of surplus-value as the fourth section of chapter 1 (the section concerned with commodity fetishism) has to the development of the commodity-form and the theory of value. It seeks to correct the overly 'objectivist' treatment of the relation of capital that emerges within the principal line of theoretical development presented in Parts IV and V.

In the course of the investigation evident in the Grundrisse we find a complex tangle of the question of the exploitation of labour with that of its alienation and the associated question of the fetishization of the capital-labour relation, particularly in the parts concerning the transition of money and labour into capital. What is more this tangle is further compounded by various digressions into such tangential problems as the distinction between productive and unproductive labour and the abstinence theory of profit. As a result we find that, in the Grundrisse, Marx never gets to the point of producing the categories of variable and constant capital, which are so vital in the development of his critique of political economy in Capital, even though all the essential elements for these twin categories are there.

In moving towards his presentation (Darstellung) Marx has to cut through this tangle. Firstly the tangential digressions are relocated. We find the question of productive and unproductive labour deferred for the most part to Volume II (although it is a question still addressed in the 'missing sixth chapter'); while the abstinence theory of profit is, as we have seen, relocated to the discussion of the accumulation and reproduction of capital in Part VII. Secondly, and more importantly for the question at hand, it appears that all material relating to the fetishization of the capital relation and the objectivisation and alienation of labour was removed from the principal line of theoretical development and placed in what we now have as the 'missing sixth chapter'. This allowed Marx to proceed smoothly from his analysis of the capitalist labour process to the distinction between constant and variable capital of chapter 8 and from there to derive, without any unnecessary complications, the quantitative relations of the theory of surplus-value.

Of course this raises the question of why the 'missing sixth chapter' was omitted from the final version of Capital. We may speculate that Marx simply

blended its contents back, particularly within Part VII on the accumulation and reproduction of capital. If this was so then its impact has clearly been lost. An answer to this question depends on a close comparison of the preliminary manuscripts and the final published versions. This a task that can only be left to those more conversant with the original German manuscripts.

Given that we are correct in our understanding of the broad development of Marx's theory of surplus-value from the Grundrisse, through the 'missing sixth chapter' to final published versions of Capital, then we may proceed to discern the movement of closure more closely. This we shall do by considering the attenuation of the question of alienation - and with it class subjectivity - in terms of the three distinct and successive moments of capitalist production that, as we have seen, were given, at least implicitly, quantitative expression in Capital under the three headings which we have previously identified:

1. k, the value composition of capital (the relation of variable to constant capital).
2. e, the rate of surplus-value (the relation of surplus labour to necessary or unpaid labour).
3. r, the rate of profit (the expansion of capital as a whole).

Let us then consider each of these three moments of capitalist production in the light of what we find in the corresponding parts of the Grundrisse and the 'missing sixth chapter'.

*I) k: the opposition of variable capital to constant capital*

Capitalist production presupposes the reduction of the worker as subject to the commodity-object, labour-power, and then, in the act of production, subsumes labour-power to itself as variable capital. As a result productive capital becomes a unity of opposition: a unity of variable capital opposed to constant capital - of living to dead labour - both subsumed within the social form of value as capital. In Marx's presentation of the theory of surplus-value in Capital this opposition is, for the most part, taken as a result. What is important for Marx in this presentation is to show the distinctive roles variable and constant capital play in the preservation and creation of value and thereby reveal the basis upon which surplus-value is expropriated by capital. As a consequence we find the working class entering Marx's exposition of the relations of capitalist production as little more than mere object; as variable capital, a mere objective component part of the self-expansion of capital.

In the Grundrisse and in the 'missing sixth chapter' this is not so much the case. In the Grundrisse Marx is still at work in abstracting from class

subjectivity, while in the 'missing sixth chapter' he can be seen attempting to correct any overemphasis on the 'objectivity1 in his exposition of the theory of surplus-value that may lead to a fetishistic understanding of the social relations of capitalist production. Thus in these two works we find the opposition of variable to constant capital as also the opposition of labour to capital and hence of worker to capitalist. An opposition of subjects that can only loo easily erupt into class antagonism. It is with this that the provisional resolution of this opposition, and thus the attenuation of class subjectivity, is established in Marx's exposition of the theory of surplus-value in Capital, and thus it is this relation that we must examine in particular detail.

The transition of money into capital, and with it the subsumption of labour- power into variable capital, is a movement of two distinct phases. The first phase occurs within the realm of free and equal exchange of commodity circulation. The second phase occurs within the exploitative realm of capitalist production. Yet while these two phases are distinct each serves to structure the other. The capitalist only buys labour-power in order to set it to work in the sphere of production so as to produce surplus-value, but in producing surplus-value for the capitalist in the production process the worker reproduces the preconditions for her reappearance in the realm of exchange as the commodity labour-power.

This connection is all the more clear in the Grundrisse since, unlike Capital where the two phases are treated for the most part separately - the first in Part II and the second in Part III - the two phases of this transition are considered side by side. And this is also true, albeit to a lesser extent, in the 'missing sixth chapter'.

How is the sale and purchase of labour-power structured by the capitalist relations of production that presuppose it? As Marx points out, simple commodity circulation merely presupposes a number of free and equal commodity owners each of which acts at one lime as a buyer and at another as a seller hence there exists no distinction between them except in the plurality of the commodities they have to sell. This is no longer true once commodity exchange is seen to be based on capitalist production:

Although capitalist and worker confront each other in the market place only as buyer, money, on the one hand, and seller, commodity, on the other, this relationship is coloured in advance by the peculiar content of their dealings. This is particularly true since both sides appear constantly, repeatedly in the market-place playing the same opposed roles. If we consider the relations of commodity- owners in general in the market-place we see that the same man appears alternatively as the buyer and seller of wares. The fact that two men differ from each other as buyer and seller is of ever

diminishing significance since in the course of time everyone assumes all the roles in the sphere of circulation. Now it is also true that once the worker has sold his labour-power and transformed it into money, he too becomes a buyer, and the capitalists appear to him as the mere sellers of goods. But in his hand money is nothing but a means of circulation. In the actual commodity-market, then, it is quite true that the worker, like any other owner of money, is a buyer and is distinguished by that fact alone from the commodity owner as seller. But on the labour-market, money always confronts him as capital in the form of money, and so the owner of money appears as capital personified, as a capitalist, and he for his part appears to the owner of money merely as the personification of labour-power and hence of labour, i.e. as a worker. The two people who face each other on the market-place, in the sphere of circulation, are not just a buyer and a seller, but capitalist and worker who confront each other as buyer and seller. Their relationship as capitalist and worker is the precondition of their relationship as buyer and seller. Unlike the situation in the case of other sellers, the relationship does not arise directly from the nature of commodities. This derives from the fact that no one directly produces the products he needs in order to live, so that each man only produces a single product as a commodity which he then sells in order to be able to acquire the products of others. Here, however, we are not concerned with the merely social division of labour in which each branch of labour is autonomous...What we are concerned with here is the division of the constituents of the process of production itself, constituents that really belong together.

This division leads to the progressive separation of these elements and their personification vis-a-vis each other...

(Capital \*1, pp. 1014-5)

So, with simple commodity exchange, where the social division of labour was made up of disassociated commodity producers, social relations manifested themselves as relations between things, i.e. commodities. The free and equal exchange of undifferentiated commodities manifested in reified form a relationship of freedom and equality between the homogeneous mass of commodity owners. But now, once it emerges that this simple commodity exchange presupposes capitalist production, all this becomes restructured. The worker comes before the capitalist stripped of all means of subsistence and excluded from the means of production. She stands with nothing to sell but her labour-power. The capitalist stands before the worker in possession of money that can both command the means of subsistence with which the

worker needs to live and the means of production without which the worker's labour-power is useless. The dominant social relation now emerges as the polarized relation of capitalist as buyer to the worker as seller. A relationship that becomes manifest in reified form in the opposition of labour to the means of production.

Let us consider this in a little more detail; firstly from the point of view of the capitalist and then from the point of view of the worker.

The capitalist enters the market-place as the possessor of money. But money as such is not yet capital;

In itself this sum of money may only be defined as capital if it is employed, spent, with the aim of increasing it... In the case of the sum of value or money this phenomenon is its destiny, its inner law, its tendency, while to the capitalist, i.e. the owner of the sum of money, in whose hands it shall acquire its function, it appears as intention, purpose. (Capital \*1, p. 976)

As such:

...in this originally simple expression of capital (or of capital to be) as money or value, every link with use-value has been broken and entirely destroyed. But even more striking is the elimination of every unwelcome sign, all potentially confusing evidence of the actual process of production... (Capital \*1, p. 976)

So, as money, capital appears as general exchange-value in opposition to all use-values. But money can only act as capital, it can only become self­expanding value, if it can subsume the use-values necessary for the production of new values to itself. However:

The only utility whatsoever which an object can have for capital can be to preserve or increase it. We have already seen, in the case of money, how value, having become independent as such - or the general form of wealth - is capable of no other motion than a quantitative one; to increase itself. It is according to its concept the quintessence of all use values; but, since it is always only a definitive amount of money (here, capital), its quantitative limit is in contradiction with its quality. It is therefore inherent in its nature constantly to drive beyond its own barrier.... Everything which has been said here about money holds even more for capital, in which money actually develops in its completed character for the first time. 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.

(Grundrisse, pp. 270-1)

As Marx goes on to show the only such use-value is that of the commodity labour-power - productive labour. But money as capital does not merely seek to assume the form of labour-power but also that set of commodities whose use-values serve to make up the means of production. How does labour- power distinguish itself from all these other such commodities? How is it that these other commodities, as use-values, do not also stand opposed to capital as they do to money in the simple circulation of commodities?

Stood before money as capital, as opposed to money as a mere medium of exchange within the movement of simple circulation, all commodities, other than labour-power, stand not as use-values as such but as particular expressions of value against the general expression of value which is represented by money. What is important is not their material substance which distinguishes them from each other and from money, but their common social substance as objectified labour. But what is distinct and opposed to objectified labour?

The only thing distinct from objectified labour is non-objectified labour, labour which is still objectifying itself, 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. If it is to be present in time, alive, then it can be present only as the living subject, in which it exists as capacity, as possibility; hence as worker. (Grundrisse, p. 272)

Thus money-capital stands in unison with all other commodities since they, like itself, are expressions of objectified labour. All except labour-power, which stands opposed to money-capital - in the bodily form of the worker - as the only active and subjective force that capital can use to increase and preserve itself as self-expanding value. So:

The use value which confronts capital as posited exchange-value is labour. Capital exchanges itself, or exists in this role, only in connection with not-capital, the negation of capital, without which it is not capital; the real not-capital is labour. (Grundrisse, p. 274)

So capital as the expression of its substance - as dead objectified labour - has to posit as its very opposite the living subjectivity of the worker. The Being of capital can only become through its not-being in the form of the

living worker. This inverted ontology of the dialectic of capital confronts the consciousness of the would-be capitalist by the peculiar nature of the commodity that is labour-power.

Firstly, and most importantly, labour-power, unlike all other commodities confronts the would-be capitalist as a non-object; as the potential of subjective activity of the worker. Consequently, whereas all other commodities appear as objects that are not only alienable but also separable from their owners, labour-power, although it is alienable (although it can be sold) is inseparable from the subjective being of its bearer - the worker. As Marx comments:

...the commodities purchased by the capitalist as the means of production in the production process or labour process are his own property. They are in fact no more than his money transformed into commodities and they are just as much the existing reality of his capital as that money. Even more so, indeed, since they have been changed into the form in which they will really function as capital... These means of production are therefore capital. On the other hand, with the remaining portion of the money invested, the capitalist has purchased labour-power...living labour. This belongs to him just as effectively as do the objective conditions of the labour process. Nevertheless, a specific difference becomes apparent here: real labour is what the worker really gives to the capitalist in exchange for the purchase price of labour, that part of capital that is translated into the wage. It is the expenditure of his life's energy, the realization of his productive faculties; it is his movement and not the capitalists'. Looked at as a personal function, in its reality, labour is the function of the worker, and not the capitalist. Looked at from the standpoint of exchange, the worker represents to the capitalist what the latter receives from him, and not what he is vis-a- vis the capitalist in the course of the labour process. So here we find that...the objective conditions of labour, as capital, stand in opposition to the subjective conditions of labour, i.e. labour itself, or rather the worker who works. (Capital \*1, p. 982)

Hence, to the mind of the capitalist, in transforming his money into productive capital that part which has become the means of production stands opposed to that part used to purchase labour-power, as capital versus labour. And as Marx goes on to comment:

It is this that forms the foundation for the fetishism of the political economists. (Capital \*1, p. 983)

Since capital appears not as a social relation but as a collection of things: the means of production as object opposed to labour as subject.

But this is not all. Not all of the original money-capital can be advanced so as to purchase the means of production. A part is advanced to purchase labour-power and takes the objective form of the means of subsistence of the worker. Indeed, like the means of production themselves, these means of subsistence will be the products of capital; of labour objectified in previous production cycles. To this extent the means of subsistence can be viewed in a similar manner to the means of production. For example, food for the worker can be taken as analogous to fuel for a machine. But this is only insofar as the worker can be reduced to a mere object like a machine. Yet capital posits the worker as a free subject. In advancing the wage to the worker the consumption of the means of subsistence becomes a matter for the worker and ceases to be of immediate concern to the capitalist. It vanishes from view, unlike the material forms of the means of production which persist within the productive operations of capital. As Marx puts it:

...the means of production leave circulation and enter into the labour process as specific commodities, e.g. cotton, coal, spindles etc. In doing so, they still possess the shape of the use-values they had while circulating as commodities. Once they have entered the process, they proceed to function with the qualities that cotton, etc. has as cotton, corresponding to their use-values, to their characteristics as things. The position is otherwise with that portion of capital we have called variab/e...the portion of capital that the capitalist expends on the purchase of labour-power - is nothing but the means of subsistence available on the market...and destined for the individual consumption of the workers... [The] consumption of these commodities as use-values constitutes a process that has no direct bearing on the immediate process of production...and which in fact operates outside its limits. (Capital ’"I, p. 983)

Hence:

...the capital earmarked for wages appears formally as something that has ceased to exist in the eyes of the capitalist, but which belongs to the worker as soon as it has assumed its true shape of the means of subsistence destined to be consumed by him... Thus this portion of capital is specifically distinguished from the capital present in the form of the means of production, and this is yet another reason why in the capitalist mode of production the means of production appear as capital in and for itself in distinction from.

But the means of subsistence are not actually opposed to the means of production, since they too are objectified labour, but rather to the living labour-power with which they are exchanged:

This appearance is dispelled quite simply...by the circumstance that the form of the use-value in which capital exists at the conclusion of the production process is that of the product, and this product can be found embodied both as means of production and as means of subsistence. Thus both are capital to an equal extent and so both are present in opposition to the living labour-power.

(Capital +1, p. 985)

Here we are being drawn into the actual process of production. Before we consider this second phase let us consider the point of view of the worker as she enters into exchange with capital.

As objectified and alienated labour, capital must posit labour as pure subjective activity:

Labour posited as not-capital as such is: (1) not-objectified labour [nicht-vergegenstandlichte Arbeit], conceived negatively... As such it is not-raw-material, not-instrument of labour, not-raw-product: labour separated from all means of labour, from its entire objectivity. This living labour, existing as an abstraction from these moments of its actual reality...this complete denudation, purely subjective existence of labour, stripped of all objectivity. Labour as absolute poverty: poverty not as shortage but as total exclusion of objective wealth... (2) Not-objectified labour, not-value, conceived positively...is not-objectified, hence non-objective, i.e. subjective existence of labour itself. Labour not as an object, but as activity; not as itself value but as the living source of value.

(Grundrisse, pp. 295-6)

The worker, as the embodiment of such subjective activity, must therefore be posited as pure subject. But capital must not only presuppose the worker as a pure subject but also as a formally free and independent subject. The worker enters the labour market, at least formally, as a free and equal commodity- owner on par with the capitalist and to this extent is radically distinct from workers in other modes of production. As Marx points out:

...he [the worker] is in this exchange an equal vis-a-vis the capitalist.

like every other party in exchange; at least so he seems. In fact this equality is already disturbed because the worker's relation to the capitalist as a use value, in the form specifically distinct from exchange value, in opposition to value posited as value, is a presupposition of this seemingly simple exchange; because, thus, he stands in an economically different relation - outside that of exchange, in which the nature of the use value, the particular use value of the commodity is, as such, irrelevant 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. (Grundrisse, p. 284)

As a formally free and independent subject the worker is free to dispose of her wage as she thinks fit it being of no immediate concern to the capitalist outside of production; and since the worker:

...exchanges his use value for the general form of wealth [money] he becomes 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. But he is neither bound to particular objects, nor to a particular manner of satisfaction. The sphere of his consumption is not qualitatively restricted, only quantitatively. This distinguishes him from the slave or serf etc. (Grundrisse, p. 283)

The worker here then becomes constituted formally as the 'sovereign consumer', an aspect of the worker's condition so beloved by the bourgeois economists. But also hidden here beneath the worker as a free and independent subject we have the roots of the worker as a revolutionary subject

So, with labour being posited in exchange as not-capital we find that the worker is:

...formally posited as a person who is something for himself apart from his labour, and who alienates his life expression only as a means towards his own life. (Grundrisse, p. 289)

And hence within the exchange between capital and labour the worker must be presupposed by capital as a free and independent subject, opposed to capital as its subjective antithesis.

Yet this is only the formal aspect of the exchange between capital and

labour - its semblance. As noted above, the apparent equality of exchange between the capitalist and the worker is 'disturbed' by the economic and social relations that such an exchange presupposes. Economic and social relations that mean that the confrontation on the labour market between the worker and the capitalist is markedly asymmetrical.

Firstly, (and still rather formally) the worker comes to the labour market as a simple commodity-owner. Her purpose is to obtain the means with which to satisfy her needs:

The object of his exchange is a direct object of need, not exchange- value as such. He does obtain money, it is true, but only in its role as coin; i.e. only as a self-suspending and vanishing 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. (Grundrisse, p. 284)

The worker is consequently confined within the movement of the simple circulation of commodities, i.e. C-M-C. A confinement accentuated by the antithetical movement of the capitalist.

The capitalist on the other hand comes to the market representing money, in its fullest independent expression, as capital. The capitalist seeks the means with which to expand the general form of his wealth - money. For the capitalist the movement is that of M-C-M. So whereas the exchange between capital and labour is for the worker a question of (concrete) survival, for the capitalist it is one of (abstract) enrichment.

Yet these two counterposed purposes with which the capitalist and the worker confront each other within exchange, and which structure their asymmetrical positions, presuppose the exclusion of the worker from both the means of production and the means of subsistence. So that the worker finds:

...opposed to him and confronting him as alien property, all the means of production, all the material conditions of work together with all the means of subsistence, money and means of production.

In other words, all material wealth confronts the worker as the property of the commodity possessors. What is proposed here is that he works as a non-proprietor and that the conditions of his labour confront him as alien property. The fact that Capitalist No.

1 owns money and that he buys the means of production from Capitalist No. 2, who owns them, while the worker buys the means of subsistence from Capitalist No. 3 with the money he has obtained

from Capitalist No. 2, does not alter the fundamental situation that Capitalists Nos. 1, 2 and 3 are together the exclusive possessors of money, means of production and means of subsistence.

(Capital \*1, p. 1003)

The relations of exchange which formally posit the worker as a free and independent subject therefore presuppose the real class relation between the worker as a member of the dispossessed class of non-proprietors and the capitalist as a member of the propertied class that has the exclusive ownership and control of the means of subsistence and production. Yet, as Marx points out, this real class relation which is presupposed by the sale and purchase of labour-power confronts the worker in a fetishized form:

Thus even in the first process [the act of exchange as opposed to the process of production], what stamps money or commodities as capital from the outset, even before they have been really transformed into capital, is neither their money nature nor their commodity nature, nor the material use-value of these commodities as means of production or subsistence, but the circumstances that this money and this commodity, these means of production and these means of subsistence confront labour-power, stripped of all material wealth, as autonomous powers, personified in their owners.

The objective conditions essential to the realization of labour are alienated from the worker and become manifest as fetishes endowed with a will and a soul of their own. Commodities, in short, appear as the purchasers of persons. The buyer of labour- power is nothing but the personification of objectified labour which cedes part of itself to the worker in the form of the means of subsistence in order to annex the living labour-power for the benefit of the remaining portion, so as to keep itself intact and even to grow beyond its original size by virtue of this annexation. It is not the worker who buys the means of production and subsistence, but the means of production that buy the worker to incorporate him into the means of production. (Capital \*1, pp. 1003-4)

So, within exchange, the worker is formally posited as a free and independent subject but only insofar as the worker's destiny is to be subjected to the autonomous movement of alien objectified labour. The worker's existence is one of the 'absolute poverty of exclusion’; yet at the same time the 'general possibility of all wealth'. A subject, a free will; but one without the means to realize itself. Here then we find in embryonic form the objective basis for the fundamental class antagonism of the capitalist mode of

production that arises through the objective confrontation of labour and capital. We are moving tangentially towards the question of the counter­dialectic of class struggle.

But before this can be developed it is necessary for Marx to examine the second phase in the relation of capital to labour to see how labour is actually subordinated and annexed to capital in the very process of production.

\*

We have seen how on entering the realm of exchange:

The labour which stands opposite capital is alien [fremde] labour, and the capital that stands opposite labour is alien capital. (Grundrisse, p. 266)

Each stands as both independent and separate from the other. Yet now, on entering phase of production, Marx shows how labour becomes subordinated within the overall unity of capital. How labour, in becoming objectified through the capitalist process of production, comes to produce capital as an alien and autonomous force. And hence how labour becomes object while capital becomes subject.

As in Capital, in the Grundrisse Marx considers the capitalist production process as two-fold: firstly as a process that produces use-values, and then secondly as a process of valorization. Let us lake each of these in turn.

On entering the labour process the worker becomes directly united with the means of production as they exist as use-values. In working on and with these means of production the worker interacts with them purely in terms of their natural properties from which the final product is to be fashioned. This relationship of the worker to the means of production has important implications, as Marx proceeds to draw out as follows:

If we now consider the aspect of capital in which it originally appears in distinction from labour [i.e. the means of production], then it is merely a passive presence in the process, a merely objective being, in which the formal character which makes it capital

* i.e. a social relation existing as a being-for-itself [fur sich seiendes]
* is completely extinguished. It enters the process only as content - as objectified labour in general; but the fact that it is objectified labour is completely irrelevant to labour - and the relation of labour to it forms the process; it enters into the process, is worked on, rather, only as object, not as objectified labour. Cotton which becomes cotton yam, or cotton yam which becomes cloth, or cloth

which becomes the material for printing and dyeing, exist for labour only as available cotton, yam, cloth. They themselves do not enter into any process as products of labour, as objectified labour, but only 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 labour only in so far as they exist as distinct from it, i.e. as materials for labour. (Grundrisse, p. 302)

Thus, although the worker is united with the means of production in the labour process through her real productive connection with them, she is still opposed to them insofar as they appear not as objectified labour, as the work of fellow workers, but as given objects. Yet insofar as the worker is united by her real connection with the means of production as use-values the worker herself becomes a mere objective element of the capitalist production process which now appears as simply a natural process of labour:

On another side, in so far as labour itself has become one of capital's objective elements through the exchange with the worker, labour's distinction from the objective elements of capital is itself a merely objective one; the latter in the form of rest, the former in the form of activity. The relation is the material relation between one of capital's elements and the other; but not its own relation to both. It therefore appears on the one side [in which capital is still opposed to labour as the use-values of the means of production] as a merely passive object, in which all formal character is extinguished; it appears on the other side [that side in which labour is viewed as united with the substance of capital as simply its active moment] only as a simple production process into which capital as such, as distinct from its substance, does not enter. (Grundrisse, p. 302)

Regarded as a simple production process:

...capita] in its being-for-itself, i.e. the capitalist, does not enter at all. It is not the capitalist who is consumed as raw material and instrument of labour. And it is not the capitalist who does this consuming but rather labour. Thus the process of the production of capital does not appear as the process of the production of capital, but as the process of production in general, and capital's distinction from labour appears only in the material character of raw material and instrument of labour.

(Grundrisse, p. 303)

This has important consequences from both the perspective of the worker and of the capitalist. For the capitalist, the capitalist mode of production appears as natural and thus eternal while capital, identified as simply the means of production, appears as indispensable. As Marx remarks:

It is this aspect - which is not only an arbitrary abstraction, but rather an abstraction which takes place within the process itself - 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. (Grundrisse, p. 303)

For the worker the capitalist appears as unnecessary and parasitical, and, insofar as the capitalist is concerned with the actual production process, she may be viewed as either an impediment or at best a damn nuisance. Furthermore, in identifying the means of production as capital, the demand may be raised for capital without the capitalist! Yet in response to such demands from socialists of his time Marx remarks:

Then capital appears as a pure thing, not as a relation of production which, when reflected in itself, is precisely the capitalist. I may well separate the capital from a given individual capitalist, and it may 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. (Grundrisse, p. 303)

So regarded as a simple labour process, the worker, on entering the capitalist production process, is united with the means of production and is able to objectify himself through the mediation of his labour; his labour stands in this sense as human praxis. But the capitalist labour process as a simple process of labour cannot be entirely abstracted from the commodity exchange it presupposes. Thus even from this perspective the means of production, as we have noted, still stand opposed to the worker as object rather than as objectified labour. The worker, therefore, to that degree can be seen to stand separated from other workers (but perhaps no more than any simple commodity producer would stand separated from other simple commodity producers). All this becomes markedly different once we come to view the capitalist labour process as a process of valorization.

As soon as we consider the capitalist process of production as a process of valorization then the capitalist enters in person. Firstly as the 'risk taker' and secondly as the 'supervisor of production'.

Every production process runs the risk of failure and under capitalism it is the capitalist whose capital is set in motion by a particular process of production who is primarily responsible for bearing such risk. Yet more importantly the capitalist must act as a supervisor over the production of surplus-value. The capitalist must, on the one hand, ensure the most efficient use of both the raw materials and instruments of labour within the process of production. On the other hand, the capitalist must ensure at the very least that the worker works at the social average intensity and if possible even harder. And what is more:

He [the capitalist] must also see to it that the work is performed in an orderly and methodical fashion and that the use-value he has in mind actually emerges successfully at the end of the process. At this point too the capitalist's ability to supervise and to enforce discipline is vital. Lastly, he must make sure that the process of production is not interrupted or disturbed and that it really does proceed to the creation of the product within the time allowed for by the particular labour process and its objective requirements. (Capital \*1, p. 986)

It is here, as risk taker and supervisor of production, that the capitalist makes her claim for profit. A point Marx deals with in some detail, as we shall see later, in Volume III of Capital. What is important here is that now the capitalist enters as the very will of capital against labour in the process of the production of surplus-value. A process that we shall now see has fundamental implications for the social being of the worker.

Considered in terms of a simple labour process the worker can be viewed as making use of the means of production that make up the substance of capital to produce the use-value of the final product. But once it is recognized that the aim which dominates capitalist production is the production of surplus-value it becomes clear that the means of production uses the worker:

The means of production made use of by the worker in the actual labour process are, it is true, the property of the capitalist, and they therefore confront his labour, which is the only expression of his life, as capital... On the other hand, however, it is he who makes use of them in the course of his work. In the actual process, the worker uses the means of labour as his tools, and he uses up the object of labour in the sense that it is the material in which his labour manifests itself... The situation looks quite different in the valorization process. Here it is not the worker who makes use of the means of production, but the means of production that make

use of the worker. Living labour does not realize itself in objective labour which thereby becomes its objective organ, but instead objective labour maintains and fortifies itself by drawing off living labour; it is thus that it becomes value valorizing itself, capital, and functions as such. The means of production thus become no more than leeches drawing off as large amount of living labour as they can. Living labour for its part ceases to be anything more than a means by which to increase, and thereby capitalise, already existing values...it is precisely for this reason that the means of production appear eminemment as the effective form of capital confronting living labour. And they now manifest themselves moreover as the rule of past, dead labour over the living. It is precisely as value- creating that living labour is continually being absorbed into the valorization process of objectified labour. In terms of effort, of the expenditure of life’s energy, work is the personal activity of the worker. But as something which creates value, as something involved in the process of objectifying labour, the worker's labour becomes one of the modes of existence of capital, it is incorporated into capital as soon as it enters the production process. This power which maintains old values and creates new ones is therefore the power of capital, and that process is accordingly the process of its self-valorization. Consequently it spells the impoverishment of the worker who creates value as value alien to himself.

(Capital \*1, pp. 987-8)

So, as a process of valorization - as a process for the production of surplus- value - the relation of living labour to the means of production becomes inverted. Living labour, the subjective activity of the worker, is now no longer a means through which the worker comes to realize herself as an objective/subjective social being but is rather the means through which capital comes to realize itself as such.

As a consequence labour becomes a mere object for capital; it becomes reduced to being a mere thing. As a result the social relation between labour and capital becomes reified; it manifests itself as a relation between the means of production as object and living labour as object. As Marx goes on to point out:

Within the framework of capitalist production this ability of objectified labour to transform itself into capital, i.e. to transform the means of production into the means of controlling and exploiting living labour, appears as something utterly appropriate to them...as inseparable from them and hence as a quality attributable to them as

things, as use-values, as means of production. These appear, therefore, intrinsically as capital and hence as capital which expresses a specific relationship of production, a specific social relationship in which the owners of the conditions of production treat living labour-power as a thing, just as value had appeared to be an the attribute of a thing and the economic definition of the thing as a commodity appeared as an aspect of its thinghood, just as the social form of conferred on labour in the shape of money presented itself as the characteristics of a thing. (Capital \*1, pp. 988-9)

With the successful completion of the valorization process labour becomes objectified in the final product as an alien value. As such it stands confirmed as an object that was previously merely presumed with the purchase of labour-power as a commodity. With the expropriation of surplus-value labour merely appears quantitatively as that component part of the final product's value as represented by variable capital.

*Yet in coming to this result it becomes clear that the capitalist process of production is by its very nature a process of alienation. A process within which not only the worker but also the capitalist becomes alienated, but in two quite distinct ways.* This point is made quite emphatically by Marx in the following passage.

The functions fulfilled by the capitalist are no more than functions of capital - viz. the valorization of value by absorbing living labour - executed consciously and willingly. The capitalist functions only as personified capital, capital as a person, just as the worker is no more than labour personified. That labour is for him just effort and torment, whereas it belongs to the capitalist as a substance that creates and increases wealth, and in fact is an element of capital, incorporated into it in the production process as its living, variable component. Hence the rule of the capitalist over the worker is the rule of things over man, of dead over the living, of the product over the producer. For the commodities that become the instruments of rule over the workers (merely as the instruments of the rule of capital itself) are mere consequences of the process of production; they are its products. Thus at the level of material production, of the life-process in the realm of the social - for that is what the process of production is - we find the same situation that we find in religion at the ideological level, namely the inversion of subject into object and vice versa. Viewed historically this inversion is the indispensable transition without which wealth as such, i.e. the relentless productive forces of social labour, which alone can form

the material base of a free human society, could not possibly be created by force at the expense of the majority. This antagonistic stage cannot be avoided, any more than it is possible for man to avoid the stage in which his spiritual energies are given a religious definition as powers independent of himself. What we are confronted by here is alienation [Entfremdung] of man from his own labour. To that extent the worker stands on a higher plane than the capitalist from the outset, since the latter has his roots in the process of alienation and finds absolute satisfaction in it whereas the right from the start the worker is a victim who confronts it as a rebel and experiences it as a process of enslavement. At the same time the process of production is a real labour process and to the extent to which that is the case the capitalist has a definite function to perform within it as supervisor and director, his activity acquires a specific, many-sided content. But the labour process is no more than an instrument of the valorization process, just as the use-value of the product is nothing but a repository of its exchange-value.

The self-valorization of capital - the creation of surplus-value - is therefore the determining, dominating and overriding purpose of the capitalist; it is the absolute motive and content of his activity. And in fact it is no more than the rationalized motive and aim of the hoarder - a highly impoverished and abstract content which makes it plain that the capitalist is just as enslaved by the relationships of capitalism as is his opposite pole, the worker, albeit in a quite different manner. (Capital \*1, pp. 989-90)

Here, in the midst of this very passage, we can see the explicit preservation of Marx's early Young Hegelian thematic of alienation and human liberation within his mature thematic of capitalism and its overthrow. We are once more back with the concerns of the young Marx of the 1844 Manuscripts, of the Holy Family and so forth! But these concerns are now armed with the critique of political economy! The very process of capitalist production is one of human alienation; but it at the same time this process, by preparing the material pre-conditions for the free human society heralded by communism, holds the seeds for its own supersession, and with it of human liberation. We are nearing the threshold for the eruption of class subjectivity; of the point of emergence of the counter-dialectic of class struggle!

So, we can see that within the Grundrisse and the 'missing sixth chapter' Marx’s examination of the capital and labour process is not only very extensive but is also developed explicitly in ontological terms. As a coasequencc the question of capitalist production as a process of alienation is always well to the fore and with it the eruption of class subjectivity - of the

counter-dialectic of class struggle - is always imminent. This is in stark contrast to Capital where this relation is approached for the most part from its result; under the heading of variable and constant capital. There the question of capitalist production as a process of alienation and reification is marginal to the main line of theoretical development and where it appears it Ls for the most part addressed in purely descriptive or illustrative terms. Here then, if nowhere else we can detect most clearly the movement of closure that occurs with the presentation of Marx's theory of surplus-value. But this movement of closure is not only evident in the relation of dead to living labour. It is also evident in the other two quantitative expressions that mark Marx's theory of surplus-value as we shall now seek to show.

*2) e: The rate of surplus-value (i.e. the rate of exploitation): the relation of surplus labour to necessary labour*

As we have seen, in Capital Marx develops his analysis of the production of surplus-value, and thus of the relation between surplus and necessary labour, under the headings of 'the production of absolute surplus-value' and 'the production of relative surplus-value'. Such headings indicate that in this exposition Marx's emphasis is on the material and quantitative aspects of this relation. An emphasis that is contrast to that of the 'missing sixth chapter' in which this relation is considered under the alternative headings of 'the formal subsumption of labour under capital' and the real subsumption of labour under capital'. Both these pairs of headings enclose the same relations but from two distinct aspects - as Marx himself notes:

If the production of absolute surplus-value was the material expression of the formal subsumption of labour under capital, then the production of relative surplus-value may be viewed as its real subsumption.

At any rate, if we consider the two forms of surplus-value, absolute and relative, separately, we shall see that absolute surplus- value always precedes relative. To these two forms of surplus-value there correspond two separate forms of the subsumption of labour under capital, or two distinct forms of capitalist production. (Capital \*1, p. 1025)

So what do we find under these two alternative headings in the 'missing sixth chapter'? In what sense do they give rise to a shift in emphasis from that which we find in Capital?

With the distinction of the formal to the real subsumption of labour under capital, as opposed to that of the production of absolute and relative surplus-

value, Marx comes to concentrate on the subjective and qualitative aspects of the capitalist production process. That is, he is concerned with how capital comes to impose itself as a social relation through the process and relations of production. To see this let us consider each of these terms in tum.

1. Firstly then, the formal subsumption of labour under capital. All class societies are based on the appropriation of surplus labour by a dominant class from an exploited class of direct producers. What essentially distinguishes each of these class societies from each other is the manner in which this surplus labour is appropriated; that is, the particular social form which surplus labour assumes. It is the social form of surplus labour which defines the basic class relations of any social formation and thus the essential character - the social being - of its constituent classes. With the capitalist mode of production the specific social form of surplus labour is surplus- value. With the division of living labour into necessary and surplus labour time and the appropriation of this surplus labour time as a given quantity of surplus-value, which then accumulates as capital, we come to the essential class relation of the capitalist mode of production which distinguishes it, and its constituent classes, from other modes of production which form the basis of other class societies.

The formal subsumption of labour arises when capital simply takes over a pre-existent labour process and makes it a means for producing surplus-value. Even though the actual labour process is materially unaffected, except for the fact that the drive towards the production of absolute surplus-value may to a certain extent intensify it, the social relations of production become those of capital. In fact, because with the formal subsumption of labour the material relations of production, at least in their qualitative aspects, remain the same as in pre-capitalist modes of production, capital, as a specific social form, can be starkly contrasted to those social relations that arise under other modes of production. And indeed in the 'missing sixth chapter' this is what Marx does. He proceeds under the heading of the formal subsumption of labour to compare the relation of capital to labour - of the worker to the capitalist - with that of the slave to the master, the serf to the lord, the journeyman to the master craftsman and so forth, in order to bring out the specific character of capital as a historically specific social relation.

Let us consider how Marx makes these comparisons that bring out the historically specific qualitative character of the social relation that exists between the worker and the capitalist.

Compared with the slave or the serf the worker's condition appears as one of freedom. Both the slave and the serf are directly subjugated both politically and personally to their master or lord. The slave stands merely as the property of her master, a mere instrument vocale, while the serf stands as

a mere appendage to the land. In contrast to this the worker stands as a free subject, free to choose her own exploiter and free to spend to the limits of her own wage. As such the worker stands as an independent individual that to a certain extent works for herself:

...there is scope for variation (within narrow limits) to allow for the worker's individuality, so that partly as between different trades, partly in the same one, we find that wages vary depending on the diligence, skill or strength of the worker, and to some extent on his actual personal achievement. Thus the size of his wage packet appears in keeping with the results of his own work and its individual quality... In the case of the slave, great physical strength or a special talent may enhance his value to a purchaser, but this is no concern to him. It is otherwise with the free worker who is the owner of his labour-power. (Capital \*1, p. 1032)

On the other hand, if the worker is contrasted with such independent producers such as the independent peasant or yeoman, then her apparent freedom and individuality begins to pale. As Marx remarks:

What a gulf there is between the proud yeomanry of England of which Shakespeare speaks and the English agricultural labourer! (Capital \*1, p. 1033)

In contrast to such independent producers what becomes clear is the worker's indifference to what she has to produce, to her own particular labour. As Marx goes on to say:

Since the sole purpose of work in the eyes of the wage-labourer is his wage, money, a specific quantity of exchange-value from which every particular mark of use-value has been expunged, he is wholly indifferent towards the content of his labour and hence his own particular form of activity. (Capital \*1, p. 1033)

This becomes even more evident if we contrast the relation of the worker to the capitalist with that of the journeyman and the master craftsman. While as a direct precursor to the worker/capitalist relation, and although it may have certain similarities in that the journeyman may be paid a wage there is still a striking contrast:

The master does indeed own the conditions of production - tools materials, etc. (although tools may be owned by the journeyman

too) - and he owns the product. To that extent he is a capitalist.

But it is not as a capitalist that he is a master. He is an artisan in the first instance and is supposed to be a master of his craft. Within the process of production he appears as an artisan, like his journeymen, and it is he who initiates his apprentices into the mysteries of the craft... Hence his approach to his apprentices and journeymen is not that of a capitalist, but a master of his craft, and by virtue of that fact he assumes a position of superiority in the corporation and hence towards them. (Capital \*1, p. 1029)

The relation between the journeyman and the master craftsman is therefore based on the personal recognition of the skill in a specific craft. The dominant position of master is not based on his general wealth; not on:

...exchange-value as such [as it is with the capitalist], but a life appropriate to a certain status or condition... (Capital \*1, p. 1030)

As such both the master craftsman and the journeyman are limited and confined by their particular trade. For the master craftsman:

...capital is restricted in terms of the form it assumes, as well as in value. It is not a definite quantum of objectified labour, value in general, at liberty to assume this or that form of the conditions of labour depending on the form of living labour it acquires in order to produce surplus labour. Before he can invest money in this particular branch of trade, in his own craft, before he can set about purchasing either the objective conditions of labour, or acquiring the necessary journeymen and apprentices, he has to pass through the prescribed stages of apprentice and journeyman and even produce his own masterpiece. He can transform money into capital only in his own craft, i.e. not merely as the means of his own labour, but as a means of exploiting the labour of others. His capital is bound to a definite use-value and hence does not confront his own workers directly as capital. (Capital \*1, p. 1029)

Capital becomes a dominant relation once it can break free of all such bonds to particular use-values; once it becomes universal. Then the master craftsman becomes a capitalist:

The purely formal conversion of production based on handicraft into capitalist production, i.e. a change in which for the time being the technological process remains the same, is achieved by the

disappearance of all these barriers. And this brings about changes in the relations of supremacy and subordination. The master now ceases to be a capitalist because he is a master, and becomes a master because he is a capitalist. The limits on his production are no longer determined by the limits imposed on his capital. His capital (money) can be freely exchanged for labour, and hence the conditions of labour of any kind whatever. He can cease to be an artisan. (Capital \*1, p. 1031)

But the universality of capital brings with it the universality of labour that confronts it and which it has to subsume to itself. As Marx makes clear in the Grundrisse:

...labour is of course in each single case a specific labour, but capital can come into relation with every specific labour; it confronts the totality of all labours... On the other side, the worker himself 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. labour as a use-value for capital; he is a worker, in opposition to the capitalist.

This is not the character of the craftsman and the guild-members etc., whose economic character lies precisely in the specificity of their labour and their relation to a specific master.

(Grundrisse, pp. 296-7)

Here then, even with the mere formal subsumption of labour under capital, we come to the objective foundation of the working class as the universal class whose liberation spells the end of all classes and the liberation of humanity. We are almost back once more in the midst of the Holy Family! But only potentially. This tendency can only be developed and realized with the real subsumption of labour under capital. Before turning to consider the real subsumption of labour under capital we must examine all this in a little more detail by drawing together the ontological implications of these historical comparisons that arise with the formal subsumption of labour.

As we have already seen, capital must posit the worker in the realm of exchange as a free and independent subject. A subject who is able to assert her own needs over and against capital to a limited extent. The capitalist, therefore, can never completely reduce the worker to a mere beast of burden, or a mere human instrument of production, however much she tries, unlike the slave-master. The worker's needs re-assert themselves in the rigidity of the wage, of necessary labour in and against surplus labour. So unlike the

slave, who stands to the slave-owner as a mere object of ownership, or indeed the serf who stands as a mere appendage of the soil, the worker stands opposed to capital as an independent subject which must be repeatedly subjected to the production of surplus-value. The possibility of revolt is therefore repeatedly posed with every renegotiation of wages and conditions; of the extent and intensity of necessary labour time against surplus labour time.

Furthermore, as a formally free and equal commodity-owner the worker is free to sell her labour-power to any capitalist who has a use for it. In contradistinction to the journeyman, for example, the worker does not confront a particular master in person but, at least formally, all of capital. The relation between the capitalist and worker is essentially an impersonal, objective economic relation, in stark contrast to all other class relations of previous modes of production. But as such the worker's exploitation stands potentially as not the exploitation by this or that capitalist but of capital as a whole; capital as an entire class system. The worker is potentially not merely an independent subject but a revolutionary subject!

However, the worker can only become a revolutionary subject as part of the subjectivity of a revolutionary class. Yet in being posited as a formally free and equal commodity-owner the worker stands not only in an impersonal and objective economic relation with the capitalist but also with other workers. The labour of others confronts each worker as alien objects that constitute her means of production and her means of subsistence. The working class therefore stands as a universal but atomized class. Its potential as revolutionary subject remains blocked with its mere formal subsumption under capital.

Indeed, as Marx himself indicates, with the mere formal subsumption of labour the subordination of the working class appears as a purely economic one which has little or no overt political expression:

...[The formal subsumption of labour under capital] dissolves the relationship between owners of the conditions of labour and the workers into a relationship of sale and purchase, a purely financial relationship. In consequence the process of exploitation is stripped of every patriarchal, political, or even religious cloak. It remains true, of course, that the relations of production themselves create a new relation of supremacy and subordination (and this also has a political expression). But the more capitalist production sticks fast in this formal relationship, the less the relationship itself will evolve, since for the most part it is based on small capitalists who differ only slightly from the workers in their education and their activities. (Capital \*1, p. 1027)

1. The real subsumption of labour under capital. As we have seen, with the real subsumption of labour under capital the very material nature of the production process is constituted according to the dictates of capital; wc come to the specifically capitalist mode of production. This much is clear from Capital. But also with the real subsumption of labour under capital we find that the potential radical subjectivity of the individual worker becomes the real possibility of the revolutionary subjectivity of the working class. We find the development of the tendency towards communism and the dissolution of the capitalist mode of production. Let us consider this social and qualitative aspect, which is somewhat curtailed in Capital, a little more closely.

Unfortunately the passage concerned with the real subsumption of labour under capital in the 'missing sixth chapter' is rather fragmentary; consequently we must extrapolate a little with some help from the Grundrisse. What then can we find?

The real subsumption of labour under capital proceeds, both logically and historically, from where the formal subsumption of labour under capital leaves off and does so on the material basis of the production of relative surplus- value. In doing so the real subsumption of labour under capital serves to realize and substantiate capital as a social relation. As Marx himself points out:

The general features of the formal subsumption remain, viz. the direct subordination of the labour process to capital, irrespective of the state of its technological development. But on this foundation there now arises a technologically and otherwise specific mode of production - capitalist production - which transforms the nature of the labour process and its actual conditions. Only when that happens do we witness the real subsumption of labour under capital... The real subsumption of labour under capital is developed in all the forms evolved by relative, as opposed to absolute surplus- value. (Capital \*1, pp. 1034-5)

Yet, as Marx recognizes, the real subsumption of labour under capital does not only develop and transform the material forces of production but also serves to develop and transform the very nature of capital as a social relation:

On the one hand, capitalist production now establishes itself as a mode of production sui genesis and brings into being a new mode of material production. On the other hand, the latter itself forms the

basis for the development of capitalist relations whose adequate form, therefore, presupposes a definite stage in the evolution of the productive forces of labour. (Capital \*1, p. 1035)

So, how does the development of the forces of production on the basis of the production of relative surplus-value serve to develop and realize capital as not only as a material relation of productive forces but also as a social relationl

The tendency towards the fragmentation and automation of the labour process tends to reduce work to a meaningless series of operations for the worker. The worker becomes reduced to being a mere 'cog in the industrial machine'. To this degree work becomes emptied of all concrete content for the worker; it appears as little more than abstract labour. The formal freedom and individuality of the worker that is posited in the realm of exchange now confronts the real indifference of the worker in production and becomes revealed for what it is: the mere formality of individuality, the mere formality of 'choice'. To this degree then the worker stands as no different to all other workers; the working class tends towards homogeneity.

But this is not all. The concentration and centralization of production - its increasing socialization - means that the worker increasingly becomes a part of a huge social process. The worker becomes part of the collective worker that confronts, and is exploited by, the collective capitalist.6 Thus with the development of the productive forces with the real subsumption of labour under capital there emerges not only a tendency towards the homogenization of the working class but also towards its unity in opposition to capital and the capitalist class.

Again this unity of the working class in production stands in stark contradiction to its atomization in the realm of exchange. Whereas the workers increasingly stand united in the production process as individual members of the collectivity of social labour, in the realm of exchange they stand as individual consumers and commodity-owners. Marx treats this point in terms of the transition from the formal to the real subsumption of labour under capital in the Grundrisse as follows:

[With the formal subsumption of labour the] point of unity of all these scattered workers lies only in their mutual relation with capital... The coordination of their work exists only in itself, in so far as each of them works for capital - hence possesses a centre in it - without working together. Their unification by capital is thus merely formal, and concerns only the product of labour, not labour itself... [With the real subsumption of labour under capital] capital appears as the collective force of the workers, their social force that

ties them together, and hence as the unity which creates this force. Afterwards as before, and at every stage of the development of capital, this all continues to be mediated through the many [the workers] exchanging with the one [the capitalist], so that exchange itself is concentrated in it; the social character of exchange; it exchanges socially with the workers, but they individually with it. (Grundrisse, pp. 586-7)

Yet, as we have noted, even with the formal subsumption of labour the worker as subject may come to assert her own needs over and against capital and this may well disrupt the proportion between necessary and surplus labour time:

...so that when competition permits the worker to bargain and to argue with the capitalists, he measures his demands against the capitalists' profit and demands a certain share of the surplus-value created by him; so that the proportion itself becomes a real moment of economic life itself. (Grundrisse, p. 597)

With the development brought about by the real subsumption of labour under capital, and with it the development and unification of the working class, comes the collective assertion of the needs and use-values of the working class that becomes expressed in the common wage:

...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 [i.e. surplus labour time to necessary labour time/ the rate of surplus-value], becomes decisively important. The semblance of exchange vanishes in the course [Prozess] of the mode of production founded on capital... This...enters into the consciousness of the workers as well as of the capitalists. (Grundrisse, p. 597)

Any further development of this belongs for Marx to the book on wage- labour, and what is more presupposes the question of profit and the social reproduction of the working class - as indeed does the potential subjectivity of the collective capitalist - and so we can proceed no further. Instead we must turn to briefly consider the qualitative side of the final quantitative relation - the rate of profit - which may offer us a few more insights.

With 'c/v' we were concerned with the commencement of production. With 's/v' we were concerned with the process of production itself. Now, with 's/(c+v)' - (or more stricdy speaking s/C) - we are concerned with the culmination of the production process and its subsequent transition into the process of reproduction and accumulation where capital emerges as a self- mediating and self-reproducing movement. Let us then consider this.

For the capitalist the worker enters the process of production as the commodity labour-power. As a commodity, labour-power, and its use as living productive labour, is alienated from the worker in that it has been previously sold to the capitalist in the labour market. It belongs to the capitalist as her commodity. Yet, as we have previously noted, as subjective activity labour-power is inseparable from the worker's presence as subject. However, during the course of production the worker's labour becomes objectified in the material form of the final product. Living labour not only comes to produce a value that is alien to the worker but also an object that, as such, is separable from the worker as subject. Hence, with the completion of the process of production, the worker and her living labour appear as merely a vanishing moment in the movement of capital's self-expansion.

So, with production completed, the worker exits the scene leaving the results of her labour in the hands of the capitalist in the form of the final product. With the appropriation of surplus-value the only trace of labour is that part of the value of the final product that serves to represent the value of labour-power. Labour-power becomes a mere component and indifferent part of capital as a whole: it assumes the objective form of variable capital.

This reduction of living labour to the objectified forms of variable capital and surplus-value (as surplus-product), and their consequent separation from the worker as subject, has two important implications. Firstly, the productive power of labour appears as the productive power of capital. As Marx himself notes:

Since - within the process of production - living labour has already been absorbed into capital, all the social productive forces of labour appear as the productive forces of capital, as intrinsic attributes of capital, just as in the case of money, the creative power of labour had seemed to possess the qualities of a thing. What was true of money is even truer of capital... (Capital \*1, p. 1052)

This productive force that is now ascribed to capital is then personified in the person of the capitalist. It then appears that it is the capitalist who is the 'wealth creator' not the worker!

Secondly, with the worker and living labour now expunged, capital can only measure itself against itself. Consolidated in the form of profit, surplus- value, the augmented part of capital, can only counterpose itself to the original mass of capital. The rate of surplus-value, s/v, becomes eclipsed by the rate of profit, s/(c + v):

Capital is now realized 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 movement 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. Its movement consists of relating to itself, while it produces itself, at the same time as the foundation of what it has founded, as value presupposed to itself as surplus value, or to the surplus value posited by it...Because of the inclusion of circulation, of its movement outside the immediate production process, within the reproduction process, surplus-value appears no longer to be posited by its simple, direct relation to living labour; this relation appears, rather, as merely a moment of its total movement Proceeding from itself as the active subject, the subject of the process - and, in the turnover, the direct production process indeed appears determined by its movement as capital, independent of its relation to labour - capital relates to itself as self-increasing value; i.e. it relates to surplus value as something posited and founded by it; it relates as well-spring of production, to itself as product; it relates as producing value to itself as produced value. It 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 thus measured by the value of the presupposed capital, capital thus posited as self-realizing value - is profir, regarded not sub specie aetemitatis, but sub specie - capitalis, the surplus value is profit; and capital as capital, the producing and reproducing value, distinguishes itself from itself as profit, the newly produced value. The product of capital is profit. The magnitude, surplus value, is therefore measured by the value magnitude of the capital, and the rate of profit is therefore determined by the proportion between its value and the value of capital.

(Grundrisse, pp. 745-6)

We are at the completion of the ontological inversion of the subject/object that specifies the capitalist relations of production as a second order mediation; as a form of human activity in which human labour is not only objectified but alienated. An inversion that has been enacted in the production process by means of the exploitation of labour.

Hence capital emerges as its own subject; as a self-mediating and self- reproducing autonomous and alien force that stands over and against human labour. But it is now a force that is not only confined to the immediate process of production. Surplus-value, now consolidated as profit, becomes a social power that forms and regulates society as a whole:

From surplus-value to profit, that is, to generalized and socialized surplus-value: originally a category of production, surplus value has now become a social category. A leap forward of the analysis becomes necessary, then. It is called for by the productive force of capital and by the force of expansion of surplus value from its place of origin [production] to the general conditions of this formation. (Negri, 1991, p. 85)

As Negri indicates here, we have now reached a critical point in the development of Marx's exposition. We have reached the immediate limit of Marx's theory of surplus-value and of capitalist production as such. In Capital, as we have already noted, Marx proceeds from this point by considering the reproduction of both the material and social preconditions of capitalist production in the predominantly quantitative and objective terms of the accumulation of capital. Thus we found there how surplus-value breaks up into the quantitative value elements of revenue and the component parts of the newly expanded value (i.e. s = R + Ac + Av); and how the accumulation of capital regulates the working population and the rhythm and intensity of its working activity. Yet is this theory of capital accumulation enough? Is their not an impetus, as Negri argues, towards a leap in analysis towards class subjectivity and thus class antagonism at this point?

Indeed capital now stands as subject, as a social power personified by the collective capitalist, by the capitalist class. As socialized surplus-value:

Profit...is always that of the "capitalist class"... In this political figure of profit the tendency of the development is anticipated: profit begins to concretise not only as the sum of surplus values and as the equalization of individual profits, but also as a political force, as a pole of social antagonism... (Negri, 1991, p. 93)

Yet the accumulation of capital necessarily produces on an ever greater scale

the proletariat as an opposed, if not antagonistic, social subject:

...it is not only true to say that labour produces on a constantly increasing scale the conditions of labour in opposition to itself in the form of capital, but equally, capital produces on a steadily increasing scale the productive wage-labourers it requires. Labour produces the conditions of its production in the form of capital, and capital produces labour, i.e. as wage-labour, as the means towards its own realization as capital. Capitalist production is not merely reproduction of the relationship: it is reproduction on a steadily increasing scale. And just as the social productive forces of labour develop in step with the capitalist mode of production, so too the heaped-up wealth confronting the worker grows apace and confronts him as capital, as wealth that controls him. The world of wealth expands and faces him as an alien world dominating him, and as it does so his subjective poverty, his need and dependence grow larger in proportion. His deprivation and plenitude match each other exactly. And at the same time, there is a corresponding increase in the mass of this living means of production of capital: the labouring proletariat.

The growth of capital and the increase in the proletariat appear, therefore, as interconnected - if opposed - products of the same process. (Capital \*1, pp. 1061-2)

Here we have it. With profit and accumulation we are on the verge of the eruption of class subjectivity and class antagonism and with this the possibility of the tendency within capitalism towards its overthrow and communism. Yet all this is premature. The impetuous leap towards such class subjectivity, towards crisis and the tendency for communism must at this point be held back. It is tangential to Marx's principal line of theoretical development at this point. In Capital this impetus is defused through the historical excursus of the primitive accumulation of capital in Part VIII of Volume I. With this excursus capital as a social power is considered only in terms of its becoming, and hence in mainly historical and descriptive terms. In the Grundrisse, on the other hand, in which, as we have seen, ontological questions are far more to the fore, and which was written within the prospect of crisis, this impetuous leap forward could not be held completely in check. Instead, as Negri observes, Marx pushes forward to consider the tendency towards communism through the breakdown and crisis of capitalism that is signalled by the tendency for the rate of profit to fall.

As we shall see in more detail in chapter 10 when we come to consider Volume III and Marx's theory of the tendency for the rate of profit to fall.

Marx argues that with the progressive mechanization and automation of production the mass of dead to living labour will tend to rise enormously leading to a rise in what he terms the organic composition of capital. This rise in the organic composition must be offset by a continual rise in the rate of exploitation otherwise the rate of profit will fall. It is the failure of the rate of exploitation to rise sufficiently fast to offset the rise in the organic composition of capital that leads to the tendency for the rate of profit to fall which expresses to capital itself its own historical limits. Thus we find on the one side a growing mass of dead and objectified labour being opposed to living labour in production, while on the other side an enormous increase in the proportion of surplus labour time to necessary labour time as capitalism develops.

However, in the Grundrisse, the tendency for the rate of profit to fall does not simply express an objective and quantitative limit to the accumulation of capital but a qualitative and ontological one. It poses the possibility for the inversion of the inversion of the subject/object that is imposed within the social relation of capital.

Firstly, the growing organic composition of capital means that the alienation of the worker becomes increasingly apparent:

The fact that in the development of the productive forces of labour the objective conditions of labour, objectified labour, must grow relative to living labour...this fact appears from the standpoint of capital not in such a way that one of the moments of social activity - objective labour - becomes the ever more powerful body of the other moment, of subjective, living labour, but rather - and this is important for wage labour - that the objective conditions of labour assume an ever more colossal independence, represented by its very extent, opposite living labour, and that social wealth confronts labour in more powerful portions as alien and dominant power. The emphasis comes to be placed not on the state of being objectified, but on the state of being alienated, dispossessed, sold... (Grundrisse, p. 831)

And this alienation becomes even more apparent once the worker sees her labour as increasingly social labour rather than merely individual labour. To this extent the problem for the worker becomes one not merely of distribution - of a higher wage - but capitalist production itself. It is only:

...with the positing of the activity of individuals as immediately general or social activity, the objective moments of production are stripped of this alienation; they are thereby posited as property, as

the organic social body, within which the individuals reproduce themselves as individuals, but as social individuals.

(Grundrisse, p. 832)

With this recognition comes the possibility for the struggle for communism.

Secondly, the growing rate of exploitation not only undermines the very basis of capitalist production but at the same time prepares the conditions for the full and all round development of the human individual that could be released in the free time of a communist society:

As soon as labour in the direct form has ceased to be the great well- spring of wealth, labour time ceases and must cease 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 non­labour of the few, for the development of the general powers of the human head. With that, production based on exchange value breaks down, and the direct, material production 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. Capital itself is the moving contradiction, [in] that it presses to reduce labour time to a minimum, while it posits labour time, on the other side, as sole measure and source of wealth. Hence it diminishes labour lime in the necessary form so as to increase it in the superfluous form; hence posits the superfluous in growing measure as a condition - question of life and death - for the necessary. 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.

On the other side, it wants to use labour time as its 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. (Grundrisse, pp. 705-6)

So the accumulation of capital creates both the objective and subjective conditions of a communist society and with its inherent tendency towards crisis and breakdown provides the opportunity for its realization.

This is all very well as far as it goes. However, it may be asked: how does the diminishing of direct labour time undermine itself as a measure of value? How does capital confine the great productive forces it has created on this basis? And how is all this expressed in terms of the falling rate of profit? In terms of the surface phenomena of prices, wages etc? Such questions cannot be answered by Marx at this point, and this is no accident but a matter of logical necessity.

In Volume I of Capital, as in the Grundrisse as a whole, Marx only considers the individual capital insofar as it immediately represents capital-in- general; that is, insofar as it is the generality of capital-in-general. Capital is only considered in its immediate unity. This has two important and interconnected implications. Firstly, in taking capital in its immediate unity Marx can only defer, if only provisionally, the question of crisis, of the rupture in its movement. This, as we shall see, is true of Capital in all its three volumes.

Secondly, the immediate unity of capital implies that the unity of the capitalist class is presupposed. It is only when we reach Volume HI, when we come to the singularity of capital-in-general, where the individual capital is counterposed to the totality of social capital, that we could begin to find the objective and material basis on which the capitalists are able to constitute themselves as a class. Indeed, in starting from capital-in-general the working class can only be represented in its disunity; as the atomized individual worker that we find throughout both Capital and the Grundrisse.

It is true, as we have sought to show, that in the Grundrisse, as in the 'missing sixth chapter', Marx, in contrast to Capital, comes to stress the qualitative and ontological side to the relations of the capitalist production process. Hence, whereas in Capital we the find the worker reduced mainly to a mere objective form, entering as the commodity labour-power or as variable capital, in the Grundrisse and in the missing sixth chapter' the subjective conditions of the worker are far more to the fore. Yet these subjective conditions are very much those of the atomized worker. Of course these conditions contain the possibility of a radical or revolutionary subjectivity, as we have sought to indicate, but only as a mere potential. We are very far from the constitution of the working class as subject (this perhaps belonged to the book on wage-labour). Obversely, the capitalist only stands as the immediate personification of capital-in-general. How the capitalist class is itself constituted is for the moment presupposed and in Capital, as in the Grundrisse, we are again very far from examining this presupposition. Indeed the question of class is only addressed at the end of Volume III and then it Ls

perhaps a little premature.

We must therefore say in response to Negri that the leap from the revolutionary openness of the Grundrisse to the 'Marx beyond Marx' must alas proceed through the provisional closure of all three Volumes of Capital.

So, to conclude. By comparing Marx's theory of surplus-value and the accumulation of capital that we find in Volume I of Capital with that which we find in both the Grundrisse and the 'missing sixth chapter' we can clearly discern the consolidation of the movement of closure which serves to close off the question of class subjectivity and the counter-dialectic of class struggle.

Yet at the same time, in making this closure, Marx has to defer and close off the question of crisis. This second fold within the provisional closure enacted by Marx’s problematic brings us back to the question of value with which we began this chapter. Let us then return.

\* \*

**C) Value, surplus-value and the provisional closing off of crisis**

From the results of our analysis laid out in Part I of this chapter we may conclude that any embodied labour theory of value, such as that of Ricardo, is constituted on the basis of, what we may term, the double identity of value.

Firstly we have the qualitative identity of value which states that the value of any commodity is the labour embodied in its production. Labour, therefore, is value. Hence we have the movement:

L > V

The labour embodied in a commodity in its production becomes its value when it enters the realm of exchange. Equally, we also have the reverse movement:

V > L

Value in exchange can conscquendy command labour to be used in production to produce future commodities. With this double movement we have the qualitative identity of production and exchange.

Secondly, we have the quantitative identity of value. The identity of value with price. Of course Ricardo would have been the first to admit that this is not a strict identity. Prices may well deviate in magnitude to values, but this would only he due to certain accidental or external factors or modifiers. For

the most part the long term or natural price of a commodity would be determined by the magnitude of its value. Hence we have:

V >P

The magnitude of value becomes the magnitude of price.

Constituted on the basis of this double identity of value any embodied labour theory of value, as has been previously noted, precludes the possibility of crisis by asserting the identity of production and exchange. This, however, is not true of Marx's abstract social labour theory of value which Ls elaborated in the opening chapters of Capital. For Marx, production and exchange form a unity of opposition not a simple identity. A unity of opposition that is itself reflected in the double unity of opposition of value, rather than a double identity, and as a consequence is able to include the necessity of crisis and rupture as an inherent moment within the analysis of the capitalist mode of production. Hence, from the perspective of Marx's abstract social labour theory of value, an embodied labour theory of value appears as being both abstract and one-sided, reducing, as it does, the provisional unity of value to a mere absolute identity.

So we may say that with the abstract labour theory of value the double identity of value becomes expanded into a double unity of opposition of value as follows.

Firstly, the identity of labour and value expands into the qualitative unity of opposition of value. As we have seen, for Marx the concrete disassociated labour that is embodied in the immediate production of a commodity only becomes value insofar as it is validated as its opposite - abstract social labour - through the exchange of commodities. Value is merely the provisional unity of these two opposed aspects of the labour in the commodity-form. There is no guarantee that the labour embodied in the production of a commodity will in fact become validated as value by becoming its opposite. Indeed there is the ever present possibility that labour will not be validated as value; that the commodity will remain unsold. Hence we have the ever present potential for rupture in the movement between production and exchange - the inherent possibility of crisis.

Secondly, the identity of value with price expands into the quantitative unity of opposition of value. With the relative autonomy of money as expression of value, the magnitude of specific prices necessarily deviate from the magnitude of specific values. In fact it is only through such deviations that the law of value can assert itself over the otherwise uncoordinated actions of independent and competitive commodity producers. Yet with such deviations there is always the ever present possibility that the divergence of price from value will become so large that their underlying unity can only be

forcibly reimposed through rupture and crisis. So again from this quantitative aspect of value we have the ever present possibility of rupture and crisis within capitalism as a generalized commodity economy, albeit only in embryonic form.

So within Marx's abstract social labour theory of value, which is elaborated in Parts 1, II and III of Volume I, the possibility of rupture and crisis Ls preserved. This is so even though Marx, as we have seen, is primarily concerned with the possibility of capitalism as an economy of generalized commodity exchange. While in being concerned with the possibility of capitalism, Marx is obliged to stress the unity of the capital-form as it develops out of the commodity-form and the money-form; but he never reduces this identity to an absolute identity. In fact, as was clearly evident in the analysis of the money-form, the underlying question of rupture and crisis preserved within his value theory necessarily served to drive Marx's analysis forward. The unity of these forms could only be understood through their oppositions and contradictions.

With Marx's theory of surplus-value however the angle of approach changes and throws a different light upon the question of value. In moving from the surface appearance of capitalism as an economy of generalized commodity exchange to the essential relations of capitalist production Marx is no longer concerned with the relations of exchange that exist between independent commodity producers but with the class relation that exists between the worker and the capitalist. A relationship that is not expressed through the equality of values but through the exploitation of the worker through the production and appropriation of surplus-value by the capitalist.

In order to lay bare this essential relation of capitalist production Marx is obliged to abstract production from exchange and distribution. He is obliged to consider capitalist production as such. However, in making this abstraction Marx does not banish exchange or circulation completely. On the contrary, the sphere of exchange that was examined so closely in the first three pans of Capital is still present as the presupposition of his theory of surplus-valuc. Yet while present, exchange only enters insofar as it directly and simply reflects the immediate results of production; that is, only insofar as it is in unity with production. Hence we find the surplus-labour appropriated in production is assumed to be realized as surplus-value; just as the total labour embodied in the commodity is assumed to be realized as the total value of the commodity.

Such assumptions are not only necessary to simplify the analysis of the production of surplus-value and the exploitation of labour but are a direct consequence of the movement of abstraction that we find in Capital. Marx is not at this point concerned with the competitive opposition of many capitalists as commodity producers but with the capitalist relation of

production - with capital in its opposition to labour. Each capital Ls considered only insofar as it represents capilal-in-general so that the capitalist stands as the capitalist and the worker stands to her as the worker. To counterpose capital to labour capital must be first posited in its unity. Thus it is its unity that is emphasized over its opposition.

The result of this movement of abstraction is that, with the provisional assumption that labour equals value and value equals price - and hence surplus labour equals surplus-value which then equals profit - Marx's labour theory of value reappears as if constituted on the basis of the double identity of value. It appears as if it was an embodied labour theory of value. Indeed this apparent reduction of Marx's theory of value into an embodied labour theory of value is sustained beyond the theory of surplus-value into his theory of capital accumulation, and in fact throughout Volume II. As we shall see, through all the remaining theoretical development in Capital labour Ls persistendy identified with value, while it is only in Volume III that Marx begins to relax the assumption of the quantitative equality of values with prices.

It is this apparent reduction of Marx's value theory to an embodied labour theory of value that has led so many commentators, and indeed many Marxists, to regard Marx as a classical political economist; as a direct successor to Ricardo! The apparent stark contrast between the theory of value in the opening two parts of Capital and the rest of Capital has pitied the defenders of the former, the abstract labour and value-form theorists, against the interpreters of the latter, the Neo-Ricardians and Sraftian Marxists, into a bitter and irreconcilable controversy in recent years. A point that we shall consider in more detail in our concluding chapter.

However, this stark contrast in Marx's value theory is only apparent. As we have argued, Marx has to emphasize the unity of value in order to emphasize the unity of capital. In doing so Marx's abstract labour theory of value becomes provisionally attenuated into what we may term a quasi-embodied labour theory of value. Marx, in stressing this side of his value theory, never completely abandons the hard won gains of the first two Parts of Capital. His abstract social labour theory of value remains preserved, along with the question of rupture and crisLs, within the categories and distinctions made in these earlier stages of Capital. Thus labour is never collapsed into value, value is never collapsed into price; as indeed the more developed category of surplus labour is never collapsed into surplus-value or into profit, and so forth.

\* \* \*

This then brings us to the conclusion of our consideration of Volume I of Capital. From our exegesis of the theoretical line of development of this opening volume we have seen how within it Marx comes to impose and sustain his provisional two-fold closure. Firstly in terms of the attenuation of his consideration of capitalist production from that of a process of alienation, which was more apparent in the Grundrisse and the 'missing sixth chapter', to that of a quantitative process of exploitation. Secondly, in the development of Marx's abstract labour theory of value, through its unfolding from the commodity-form, through the money-form, to the form of capital, which posited capitalist production and exchange as a unity in opposition; and then, with the emphasis on its unity, the attenuation of this abstract labour theory of value to a quasi-embodied labour theory of value.

We must now consider how this provisional closure is sustained in the remaining two volumes of Capital. So, in the following chapter, we shall turn our attentions to Volume n.

**Notes**

1. See Zeleny (1968).
2. For a philosophical treatment of the question of value from the 'standpoint of the modem economist' see Robinson (1962). In this work Robinson makes it quite explicit that, as a modem economist, she sees value as a 'metaphysical concept'.
3. Ricardo's commitment to a labour theory of value can be traced back to Locke's proposition that labour is the origin of the right to property ownership.
4. With the recovery and translation of Rubin's seminal work that sets out Marx's abstract social labour theory of value (Rubin, 1972), there has followed a substantial amount of literature in recent years concerning the distinction between Marx's labour theory of value and the embodied labour theory of value of Ricardo. For a comprehensive review of various approaches to Marx's labour value theory see De Vroey (1982). For a discussion of the distinction between Marx's abstract social labour theory and Ricardo's labour embodied theory, see, for example, Pilling (1972) and Himmelweit & Mohun (1978).
5. See Ricardo's letters and essays on the bullion controversy that are contained in (Ricardo, 1951, Vol.DI).
6. This tendency towards class subjectivity, and the antagonism of the

collective worker and the collective capitalist, is considered in greater detail in Negri (1991, 1988).

**9 The enactment of closure within Capital: Volume II**

**Introduction**

Volume II is perhaps the most neglected of all the three volumes of Capital. Except for Marx's presentation of his 'schemas of simple and expanded reproduction' contained in Part III, which have served both as the theoretical starting point for Rosa Luxemburg's theory of imperialism1 and, following Bortkiewicz, numerous attempts to 'solve' the so-called transformation problem that arises in Volume III,2 Volume II has been largely overshadowed by Capital's other two volumes.

This is perhaps in no small part due to the rather disordered presentation that we find in Volume II. From a close inspection of the structure of this volume it becomes evident that the precise order of its presentation, particularly that of Part II, had yet to be fully worked out by Marx. As a result, despite the considerable efforts of Engels in compiling and editing the various manuscripts that provide the material for this volume, the presentation of Marx's line of argument often lacks the force and direction that we fmd elsewhere in Capital.

Nevertheless, the overall structure of Volume II is quite clear. Volume II: The Process of Circulation, as its subtitle suggests, is concerned with the overall circulation of capital. Marx here seeks to show how particular forms of capital crystallize out of the repeated circular movement of capital between the spheres of production and exchange. Marx begins in Part I by considering the purely formal aspects of the circulation of capital from which he derives the three circuits, and the three forms, of industrial capital. Then, in Part II, Marx proceeds to the substantiation of this formal movement, which emerges once the circulation of capital is considered in terms of its subsumpdon of the multiplicity of individual production processes. With this Marx derives and locates the particular material and temporal categories that arise out of this substantiated circulation of capital, such as fixed, circulating and latent

capital. Finally, in Part III, Marx goes on to examine how the multiplicity of particular circuits of capital serve to reproduce capital as a social totality; that is, how they become totalized within the overall reproduction and circulation of social capital. With this analysis Marx comes to define the particular departments which must constitute the totality of social capital and the relative proportions which are required to ensure the unity and coherence of social capital's reproduction.

So what do we find in Volume II concerning the question of closure? As we have seen, in Volume I we find the two-fold closure in Marx's broader thematic being actively imposed within his exposition. This is reflected, firstly in the attenuation of the analysis of production from that of a process of alienation to that of a process of exploitation, and secondly, in the attenuation of Marx's abstract social labour theory of value into a quasi-embodied labour theory of value. At the end of Volume I, with the theory of accumulation, capital stands as the unity of production and exchange, as a self-mediating, self-sustaining objective and alien process which subsumes all human subjectivity to its own movement

It is with this that Volume II begins. In considering the overall circulation and movement of capital, Volume II takes the whole question of production as both a process of alienation and exploitation as given. All this is now presupposed, having been dealt with in Volume I. With exploitation and alienation given as a presupposition within the analysis of the movement and overall circulation of capital we find the closure of the subjective, of the counter-dialectic of class struggle, for the moment complete. This aspect of closure is therefore of little concern for us in our consideration of Volume II.

However, in taking the overall circulation of capital as the unity of capital's movement between production and exchange, Marx has to posit the opposition of production and exchange. An opposition which, as we shall see, repeatedly manifests itself as discontinuities in the continuous overall circulation of capital. With these discontinuities, as we shall point out, we may detect the implicit and submerged question of rupture and crisis within the movement of capital. Although Marx is obliged to resolve such discontinuities in the overall continuity of movement of capital, thereby repressing the question of rupture and crisis, this implicit question becomes increasingly insistent in the course of Volume It's development. In fact by Part III this question, submerged beneath the text of Volume II, reaches the point of insurrection. It threatens to break out and disrupt the very line of development of Marx s exposition - as in indeed it does later in the final volume of Capital.

So in our consideration of Volume II our attention will be focused on the second part of our two-fold closure that we find imposed in Capital,3

Within the formal movement of capital's overall circulation Marx identifies three moments, or aspects, which he terms the three circuits of industrial capital. Each of these circuits expresses a particular aspect of the movement of capital, whether of an individual capital or of the social capital as a whole, and, as a consequence, each one gives rise to its own particular, yet one-sided perspective on the process of the circulation of capital.4 The first of these circuits that Marx identifies, which is a direct result and summary of Marx's exposition of Volume I, is the circuit of money-capital.

1. *The circuit of money-capital*

Once capital takes hold of production to realize itself as industrial capital the general formula of capital, M - C - M', becomes expanded by the interruption of production. We consequently have the formula for the circuit of money- capital as follows:

M - C ... P... C' - M'

Here a sum of money-capital, M, is advanced to buy a set of commodities of value, C, which are then used in the process of production, P, to produce a new set of commodities with an expanded value, C', which are then sold to realize an expanded value in the money-form, M'. The entire movement of capital is therefore seen as a movement from money to production and back again to money. In abbreviated form it becomes reduced to M...M'; the movement of money-capital - money making money.

However, this simple form of the circuit of money-capital may be further developed. With the movement M - C capital breaks up into two parts in becoming commodity-capital; one part becomes embodied in means of production, which was produced directly by capital in previous cycles of production, and the other part becomes embodied in labour-power, which is only indirectly produced as a commodity by capital. We therefore have:'

Lp

M - C < ... P...C'... M'

Mp

Where Lp represents the commodity-capital in the material form of labour- power and Mp represents the commodity-capital in the form of the means of

production.

Alongside the circulation of capital we also have the simple commodity circulation of the wage; that is, from the viewpoint of capital we have;

C(w) ' M(w) - C(Lp)

Where M(w) is the money-form of the wage paid to the worker which the worker then uses to buy a value of commodities for her means of subsistence, C(w), which then serves to reproduce the value of her labour-power C(Lp), which she can sell to the capitalist anew.

We are therefore able to obtain the expanded form of the circuit of money- capital as follows:

From this expanded expression of the circuit of money-capital the revenue circuit of the wage clearly stands as a mere adjunctant, a mere epicycle, to the overall circulation of capital. The simple circulation of commodities that serves to maintain the survival of the workers is here clearly shown to be subordinated to the movement of capital.

The circuit of money-capital, particularly in its abbreviated form, M...M', shows the circulation of capital to be simply an expanding movement of money. Money is seen as both the 'alpha and omega' of the entire process, so that production appears as merely a necessary means through which 'money makes more money'. This perspective was one that was taken up by both the mercantilists, with their fixation on money as the exclusive form of wealth, and also by vulgar and neoclassical economists, concerned as they are by the readily apparent money categories of wages, profits, prices etc. Yet in glossing over the importance of production it is a perspective that is clearly one-sided. To correct this Marx moves on to the circuit of productive- capital.

*ii) The circuit of productive-capital*

The circuit of productive-capital first appears as follows:

M - C{

- C(Lp)

Mp

C(w) - M(w) - C(Lp)

... P...C'{ - M'{ - C’{ ... P... C"{ -M"

Mp

P...C -M-C... P

Here the simple circulation of commodities, C - M - C, acts as a means through which production can recommence. The outputs at the end of one cycle of production are exchanged and circulated so as to provide the necessary inputs for each particular production process for the following cycle of production.

It is now production that stands as the beginning and end of the overall circulauon of capital which is expressed in the abbreviated form of productive-capital P...P.

However, capitalist production necessarily entails the production of surplus-value. We can only have the simple reproduction of the material conditions of production in the extreme case in which all the surplus-value is consumed as the revenue of the capitalist. In this special case the circuit of productive-capital becomes expanded as:

P... C' - M' - C ... P

Here we can see the circuit of revenue for the capitalist, the personal enrichment of the capitalist, as a mere adjunctant, a mere epicycle in the overall movement of capital. Yet in general at least a part of the surplus- value will be capitalized in order to expand the scale of production. Hence we have the general abbreviated form for the circuit of productive capital as P...P'.

For Marx, this was the perspective that informed classical political economy. The movement of capital is seen as the ever increasing expansion of production and thus of real material wealth. Capital serves merely to advance the productive forces, to provide the means to create material use- values on an ever increasing scale. But it could be equally said that it reveals the circulation of capital as a movement motivated by production for the sake of production.

Either way the emphasis on production within this perspective stands in stark opposition to the emphasis on money that arose with the perspective of the previous circuit. Whereas the perspective of the circuit P...P' reduces the circulation of capital to the accumulation of real concrete wealth, to the essential categories that arise in the realm of production, the perspective of the circuit of money-capital reduces the movement of capital to the accumulation of abstract money wealth, to the formal categories of exchange and circulation. Both of these perspectives, however, find their common ground in the third and final circuit of industrial capital, the circuit of commodity-capital.

The circuit of commodity-capital is given by Marx as follows:

C'-M'-C'... P... C"

From this circuit, which in abbreviated form is expressed as C'...C", it becomes apparent that the wealth within the capitalist mode of production is both produced and circulated in the specific form of the commodity. But for Marx what is more important than this is that by beginning with C' the production of surplus-value is presupposed by this circuit. Production and exchange are thereby seen as two distinct spheres within the overall circulation of capital. With the circuit of money-capital production enters as a mere interruption in the process of the circulation, while, inversely, in the circuit of productive-capital the circulation of commodities - the sphere of exchange - appears as a mere interruption in the process of production. With the circuit of commodity-capital, however, exchange and production stand opposed to each other as two distinct, yet equally important, spheres. We have:

The exchange of commodities The production of commodities

C' - M - C' P... C"

The overall circulation of capital then stands as the unity of these two opposed spheres or phases.

This perspective is vital for Marx's exposition in Volume II since, as we shall see, it allows him to overcome the confusion with regard to the production and circulation of surplus-value that emerges as a result of the one-sided perspectives of money-capital and productive-capital. A point well recognized by Marx when he commends the originator of this perspective Quesnay and his fellow physiocrats:5

C'... C' is the groundwork for Quesnay’s Tableau economique, and it shows great and true discretion on his part that in contrast to M ...

M' (the isolatedly and rigidly retained form of the mercantile system) he selected this form and not P...P. (Capital II, p. 103)

But the circuit of commodity-capital is only one of the three circuits of industrial capital. We must now take them together as a whole.

With these three circuits we can see that each and every industrial capital must pass through three distinct stages: money-capital, commodity-capital and productive-capital. The three circuits of capital only distinguish themselves insofar as we arbitrarily take a particular stage in the circulation of capital as our starting point. In fact in reality:

...every individual industrial capital is present simultaneously in all three circuits. These three circuits, the forms of reproduction assumed by the three forms of capital, are made continuously side by side. For instance, one part of the capital-value, which now performs the function of commodity-capital, is transformed into the money-capital, but at the same time another part leaves the process of production and enters the circulation as a new commodity- capital. The circuit form C'...C' is thus continuously described; and so are the other two forms. (Capital II, p. 104)

If, in accordance with this reality we:

...combine all three forms, all premises of the process appear as its result, as a premise produced by itself. Every element appears as a point of departure, of transit, and of return. The total process presents itself as the unity of the processes of production and circulation. The process of production becomes the mediator of the process of circulation and vice versa. (Capital II, p. 103)

The continuous circulation of industrial capital taken as a whole expresses both the unity of its three moments, its three distinct circuits, and the unity of production and circulation. But, as Mara repeatedly notes in passing in these opening chapters of Volume II, this continuity of the overall circulation of industrial capital must continually posit its own discontinuity:

The circuit-describing process of capital means constant interruption, the leaving of one stage and the entering into the next, the discarding of one form and the assuming of another. Each one of these stages not only presupposes the next but excludes iL (Capital II, p. 105)

But what is more, if this exclusion leads to stagnation then this:

...stagnation in one stage causes more or less stagnation in the entire

circuit of not only the stagnant part of the capital but also of the total individual capital. (Capital n, p. 106)

Here, in Marx's exposition, we can see the necessity for the discontinuity in the movement of capital's circulation opening out into the possibility of rupture and crisis. But at this point it is still only a formal possibility. It serves to highlight Marx's exposition and no more. However, the discontinuity within the movement of capital, and thus implicitly the possibility of rupture and crisis, remains an important counterpoint in the development of Marx's principal line of theoretical development as it unfolds through the course of Volume II, as we shall now see as we pass on to the substantiatiation of the overall circulation of capital.

1. **Part II: particularization in terms of the individual circuit of capital**

We have seen that through the continuity of movement of capital expressed in each of its three moments - the three circuits of industrial capital - capital comes to inscribe the unity of production and exchange. Production stands as the presupposition of circulation and exchange, just as circulation and exchange stand as the presupposition of production. Both become articulated with the other in the course of capital's movement through and between them that is described by its overall process of circulation.

But as we have seen, this continuity of movement must at the same time posit its own discontinuity. The very movement of capital through its various circuits requires that it becomes halted, at least momentarily, in each of its three distinct and mutually exclusive forms or stages, that is as money-capital, productive-capital or commodity-capital. And, as we have noted, it is with such necessary discontinuity that there lurks the possibility of rupture and crisis.

Yet all this has only so far concerned the mere formal movement of capital. It is a movement that is equally true of capital as a social whole as it is for each individual capital. This formal and abstract movement must now be given a concrete and material content. Marx must proceed to show how the movement of capital becomes particularized in the multiplicity of material and concrete production processes that together make up the totality of the social division of labour, and which serve to specify the particularity of each individual capital. As a result we shall find that capital, in the course of its movement, must assume distinct material and temporal forms.

As we have seen, from the perspective of money-capital the movement of capital appears as simply 'money making money' - the endless accumulation of the abstract and universal form of wealth. An amount of money, M, is advanced only so that it may return later as a greater sum of money, M'. From this perspective, what is important is the time it takes for this given amount of money that is advanced, M, to expand by a given amount to become M'. The circulation of capital therefore appears as simply the delay in the return of money in the expanded form M'. The shorter the delay represented by the overall circulation of capital the faster money-capital can be accumulated. Hence, for money-capital, the time of the circulation of capital must be reduced to a minimum. Time is the crucial factor.

From such a perspective, which begins and ends in the midst of the realm of exchange, production merely appears as a particularly obstinate, but otherwise indifferent part in the overall circulation of capital. It stands merely as an unfortunate, but nonetheless necessary delay in the return of capital to its expanded money form. As a consequence, from this perspective, the particular forms and categories of productive-capital become collapsed into those of exchange and circulation. (This then becomes reflected and systematized in those bourgeois theories informed by this perspective, such as vulgar and mercantilist economics, which only go as far as to examine the superficial categories of circulation and exchange.)

With the movement of capital reduced to a mere matter of time the particularization of capital into a multiplicity of different material and concrete processes of production also appears simply as a question of time. Each individual circuit of capital becomes specified and differentiated from other individual circuits of capital simply in terms of the time it requires before capital can resume its money-form - that is, the period of its turnover. The multiplicity of concrete and material forms that must be assumed by productive-capital according to each particular production process thereby becomes resolved in terms of the turnover period of each particular capital.

So, each particular capital is specified in terms of its own particular turnover period. From the point of view of the simple circulation of capital (its simple reproduction) the multiplicity of different turnover periods which specify each particular capital can then find a common measure in the annual turnover of capital. That is, if the turnover period of a particular capital Mi is ti, so that the number of times the capital will turnover in one year is:

ni = 1/ti

(where ti is expressed in years)

Ti = ni. Mi

With this the particular circulation of each capital finds a common measure against all other particular capitals in terms of time.

However, from the perspective of money-capital, the circulation of capital is at one and the same time the movement of its self-expansion. The turnover of capita] must bring with it a profit. The longer a given amount of capital takes to circulate the larger must be the profit it must bring in return to compensate for this delay. Thus the common measure of capital becomes the annual rate of profit (ARP), produced by each particular capital. It appears then, that with mi as the profit per turnover, the annual rate of profit is given as:

ARPi = ni. mi / Mi

Hence with the formation of a general rate of profit which each money-capital will expect to obtain when advanced, the greater the turnover period required by a particular capital (i.e. the smaller ni) the bigger must be the profit per turnover (i.e. mi). It therefore appears, from this perspective, that profit is a direct function of abstract rime! Thus we find in the theories informed by this perspective such notions as profit being the result of the 'reward' for the capitalists' abstinence from current consumption, or for the 'roundaboutness' of production, and so forth.6 Such misconceptions which arise from this perspective of money-capital are, as Marx points out, due to a failure to distinguish the production of surplus-value from its realization in exchange.

This becomes clearer if we consider the turnover of capital from the perspective that arises with the circuit of commodity-capital, C'...C'. As we have already noted, from such a perspective, in which the expansion of capital is presupposed from the beginning, production and exchange stand as two distinct parts within the overall circulation of capital. Once more we have:

*Capital-in-circulation Capital-in-production*

C' - M' - C' P ...C"

From this it becomes clear that the turnover of capital must break up into two component parts. Firstly we have the time capital must spend in the sphere of exchange as capital-in-circulation. That is the time taken for the commodities produced by a particular capital to be sold (C‘ - M') plus the time taken for commodity inputs for the next cycle of production to be bought This constitutes the circulation time of a particular capital. This circulation time

will of course will depend on the nature of the commodities that are produced by the particular individual capital and the character and location of consumers of these commodities.

Secondly, we have the time capital must spend in the sphere of production as productive capital. This Marx terms the production time which again breaks up into two distinct parts. Firstly we have that part of the production time within which labour is expended in transforming the raw materials of production to create fresh values. This Marx terms working time. Secondly we have that time in which, although in production, no labour is expended on the material forms of capital in order to create fresh values or preserve old values. This he terms non-working time.

So, for Marx the overall turnover period of capital is constituted as follows:

Overall turnover period

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Circulation time + Production time

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Working + Non-working time time

So, for example, in the case of an individual capital which is in the business of producing and selling beer the turnover period will be constituted as follows. Firstly we have the circulation time. This is made up firstly of the time it takes to sell the produced beer; that is, the time taken to deliver the beer to the various pubs and the time it remains in the beer cellars waiting to be sold to those who will finally drink it. And secondly it is made up of the time it takes to order and obtain delivery of the raw materials to make the beer such as hops, sugar and yeast; and the time required to hire the labour- power of the brewery workers.

We then have the production time. The brewery workers must spend time preparing the yeast, hops etc. for the process of fermentation from which the beer is produced, and time must also be spent after the fermentation process in bottling and labelling the beer for distribution. The sum total of these times constitutes the working time of the productive-capital. However, in this case of beer production, productive-capital must spend a considerable amount of time in which it is not being worked upon by living labour. The beer must be left to ferment. This fermenting time then constitutes the non-working time of the particular productive-capital that has assumed the material forms of beer production.7

All these particular temporal forms of capital's circulation become

obliterated from the perspective of money-capital which collapses them all into an undifferentiated time of the overall turnover of capital. And it is indeed by making the distinction between these temporal forms that Marx is able to correct the error in the money-capital’s perspective of the source of profit.

From this we are able to see that value, and hence surplus-value, is only created during working time. During the circulation of capital this value, and with it the surplus-value which serves to expand capital, is simply circulated. Hence it becomes clear that surplus-value is only created by labour within the concrete and material process of production and not by capital-in-circulation. The circulation of capital therefore acts merely to distribute value and surplus-value that has already been produced in production.

Thus, surplus-value, and the consequent expansion of capital, stands not as the mysterious product of abstract time as such, but as the product of labour time. Of course, those capitals that have longer turnover periods will demand greater profits but such profits emerge from the redistribution of surplus- value between capitals and are not due, as it may at first seem, from the mysterious creation of surplus-value out of mere abstract time.

Later in Part II (in chapter 16 to be precise) Marx presses home this point by deriving the expression for the annual rate of surplus-value. With this derivation Marx takes the first step towards unveiling the relationship between the quantitative production of surplus-value and its redistribution as profit through the general annual rate of profit. But this is only the first step since the question of the distribution of surplus-value as profit properly belongs to Volume HI.8

1. *The material forms of productive-capital: fixed and circulating capital*

From the perspective of money-capital then, the multiplicity of material and concrete forms productive-capital must assume are simply dissolved in the overall turnover period of the circuit of capital. The categories and forms of production are thereby conflated into those of capital-in-circulation readily apparent in the profit and loss accounts of the individual capitalist and hence proclaimed the sole truth of the matter by vulgar economists.

Against this perspective of money-capital stands that which arises from the circuit of productive-capital itself, and which, as we have already indicated, was adopted by classical political economy. From this perspective of P...P', what is important is the development of the concrete and material forms through which wealth is actually produced, the accumulation of 'real' productive capital, which is concealed from view by the immediately apparent monetary forms that this wealth assumes in circulation and exchange.

For Marx, it was the very adoption of this perspective which enabled

classical political economy to penetrate beneath the superfical categories common to vulgar economy to grasp essentials of the capitalist mode of production, and hence to discern labour as the source of value. Indeed, it was in adopting this perspective that, for Marx, made classical political economy 'scientific'.

Yet this one-sided perspective imposed its own limitations on the perceptions of classical political economy. Firstly, by focusing on the material production of wealth, the perspective of productive-capital overlooks the importance of the social form that this wealth takes. As a result social relations are reduced to either natural or technical relations which obscure the historical specifity of the social relations of capitalism. Secondly, as with the perspective of money-capital, the perspective of productive-capital conflates the process of production with that of circulation and exchange. The movement P...P' is not simply a movement of circulation but one of expansion through the accumulation of surplus-value in the form of newly created productive capacity. For Marx, both these limitations of the perspective of productive capital were not only closely connected to each other, but also the cause of serious confusions within classical political economy with regard to the question of labour as the source of both value and profits. Confusions that led to the numerous inconsistencies of Smith and the violent contradictions of Ricardo. Let us consider this further.

From the perspective of productive-capital we begin and end with the concrete material forms capital must assume as 'real capital' producing 'real' wealth. Production is therefore seen as primarily as a material process, within which various elements of production are combined to produce material use- values, rather than as a process of valorization. The question that then arises is how are these elements of this real production process subsumed within the overall movement of capital?

In subsuming the elements of production, productive-capital must necessarily fall into three parts, each subsuming one of the three elements of the material process of labour: labour, instruments of labour, and the object of labour (i.e. raw and auxiliary materials).9 As we saw in chapter 8, in Volume I, where Marx was primarily concerned with the production of surplus-value these three parts of productive-capital become grouped between that which acts to produces new values (i.e. labour), and that whose value is merely passed on (i.e. objects and instruments of labour). In terms of overall circulation of capital, however, the situation is different

Firstly, labour and the objects of labour are consumed in production. They become embodied in the material form of the final product. As such they can be seen to circulate with the circulation of the final product. They therefore stand as the material forms of circulating capital. Secondly, the instruments of labour - tools, machinery, buildings etc. - remain in production retaining

their material form. They do not become embodied in the material form of the final product, and they therefore do not appear to be circulated with the final product. They therefore stand as the material form of fixed capital. So as productive-capital, capital comes to assume the two distinct material forms of fixed capital and circulating capital.

From the perspective of productive-capital it may appear that, since only circulating capital seems to enter the process of circulation, circulating capital is identical to capital-in-circulation. Indeed, it was such a confusion between circulating capital and capital-in-circulation that for Marx so bedevilled Adam Smith’s account of the matter.

For Marx, it is not the production as a material process that distinguishes fixed and circulating capital as forms of productive-capital but production as a process of valorization. The difference between these two forms of productive-capital is not how the elements of production are materially embodied into the final product as such, but rather how these different material elements of production restrict the transmission, and thus the circulation, of the value of productive-capital into its commodity and money forms. As Marx goes on to argue against Adam Smith's attempt to distinguish between fixed and circulating capital:

This difference in the behaviour of the elements of productive capital in the labour-process forms however only the point of departure of the difference between fixed and non-fixed capital, not this difference itself. That follows from the fact alone that this different behaviour exists in equal measure under all modes of production, capitalist or non-capitalist. To this different behaviour of material elements corresponds however the transmission of value to the product, and this in turn corresponds the replacement of value by the sale of the product. That and that alone is what constitutes the difference in question. Hence capital is not called fixed because it is fixed in instruments of labour but because a part of its value laid out in instruments of labour remains fixed in them, while the other part circulates as a component part of the product. (Capital II, p. 201)

What Smith failed to see, with his fetishizadon of the materiality of the forms of producdve-capital, is that through the wear and tear of the instruments of labour, which eventually leads to their replacement, the value frozen in the material form of fixed capital is slowly released. If a production process is to be maintained not only must the sale of the commodifies produced replace the value of raw materials and labour-power consumed in the production process, but it must also bring in a value which can be set

against the total value eventually required to replace the instruments of labour. So that over the lifetime of a particular instrument of labour its entire value must be passed, and thus circulated, in the value of the commodities it has over time served to produce.

For Marx then, it is not that the value of fixed capital does not circulate, and thereby does not become part of capital-in-circulation (i.e. C' - M' - C’), but that it is circulated bit by bit over several production cycles. So all of the productive-capital, whether fixed or circulating, is part of the overall process of circulation and we cannot simply equate capital-in-circulation with circulating capital as Smith is prone to do. Indeed:

In opposing circulating capital to fixed, no emphasis is placed on the fact that this opposition exists solely because it is that constituent part of productive capital which must be wholly replaced out of the value of the product and must therefore fully share in its metamorphoses, while this is not so in the case of the fixed capital. Instead the circulating capital is jumbled together with those forms which capital assumes on passing from the sphere of production to that of circulation, as commodity-capital and money-capital. But both forms, commodity-capital as well as money-capital, are earners of the value of both the fixed and circulating component parts of productive-capital. Both of them are capital of circulation, as distinguished from productive capital, but not circulating (fluent) capital as distinguished from fixed capital. (Capital II, p. 203)

So in brief we have:

*Productive-Capital* > *Capital-in-Circulation*

Smith's confusion, however, became further compounded with his failure to distinguish the production of surplus-value from the simple transmission of value.

As we have already noted, it was vital for Marx that the process through which surplus-value is produced, and with it capital expanded, is kept distinct from the process through which capital is circulated. Yet from the perspective of productive-capital, as with the perspective of money-capital, these two processes are taken at one and the same time. They consequently become conflated with each other.

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fixed- circulating- capital capital

commodity- money-

capital capital

Production...

T u Objects Instruments

Labour of Labour of Labour

Circulation...

Labour Objects

of Labour

Instruments of Labour

**OtcbIi**

CH2

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**Figure 9.1 : The Division of Capital in Circulation and Production**

For Marx, in terms of the production of surplus-value and the consequent expansion of capital, in subsuming the material process of labour, productive- capital assumes two antithetical material forms of variable and constant capital. Variable capital subsumes the material element labour, which is the active element that acts to create and preserve value, while constant capital subsumes the instruments and objects of labour which do not act to create of preserve value. All this we saw in Marx's theory of surplus-value in Volume I.

Now, in terms of the process of the overall circulation of capital, the elements of the material labour process become regrouped into a new antithesis within the material forms of productive-capital: fixed and circulating capital. Labour is now grouped with the objects of labour in that its value is circulated within every production cycle, which is then counterposed to the instruments of labour whose value circulates only piecemeal over several production cycles. This is represented in Figure 9.1.

From the perspective arising form the circuit of productive-capital Smith could only fall into a mire of confusion which, as Marx points out, has important consequences:

...owing to the wholly erroneous explanation that profit is made by fixed capital staying in the process of production, and by circulating capital leaving it and being circulated, and also on the account of the identity of form assumed in the turnover by the variable capital and the circulating constituent of constant capital, their essential difference in the process of self-expansion and of the formation of surplus-value is hidden...the entire secret of capitalist production is obscured still more. The common designation of 'circulating capital' abolishes this essential difference. Political Economy subsequently went still farther by holding fast not to the antithesis between variable and constant capital but to the antithesis between fixed and circulating capital as the essential and sole delimitation.

(Capital II, p. 203)

Yet, as Marx indicates here, it was not merely Smith who fell foul of this confusion but classical political economy as a whole, including even Ricardo, since he too remained within the perspective of productive-capital:

In Ricardo the uncritical adoption of the Smithian confusion is more disturbing not only than in the later apologists, in whom the confusion of ideas is rather something not disturbing, but than in. Smith himself because Ricardo, in contrast to the latter, is more consistent and incisive in his analysis of value and surplus-value. and

indeed upholds the esoteric Smith against the exoteric Smith. (Capital II, p. 223)

Whereas it suited apologists of the capitalist mode of production to confuse labour as the source of value, and whereas Smith 'esoterically' upheld labour as the source of value only to 'exoterically' reject it once he could not immediately reconcile it to the readily apparent categories of circulation, Ricardo had maintained a consistent commitment to a labour theory of value. Yet in inheriting Smith's confusion of variable capital with circulating capital, in maintaining the confusion of the process of the production of surplus-value with that of the overall circulation of capital, Ricardo's labour theory of value ran into insurmountable problems that eventually led to its downfall.

Ricardo, unlike Smith, did recognize that in the material form of fixed capital productive-capital did circulate. Yet this was not enough. He still conflated the production of value with the circulation of value and thus still confused variable capital with circulating capital, and he still sought to immediately identify value, a category of production, with price, a category of circulation.

In recognizing the circulation of fixed capital Ricardo was then able to differentiate different capitals according to their durability. Those composed of a high proportion of fixed capital would take a longer time to circulate than those with a low proportion of fixed capital. But by conflating production with circulation, confusing circulating capital with variable capital, and price with value, Ricardo was then led to ask what effect would occur on relative prices if there was a general rise in wages. The answer being that those capitals employing more labour - that is, those with less durable capitals (since labour was confused with circulating capital) - would find their prices rising relative to those capitals employing a high proportion of fixed capital.

This directly contradicted Ricardo's labour theory of value which sought to immediately identify the labour embodied in a commodity - its value - with its relative price. Ricardo was thereby forced to admit that labour was not the sole source of value. That prices, and therefore profits, were also determined independently of labour by the durability, or composition, of capital.

For Marx, however, value and surplus-value are produced in the process of production, through the antithesis of variable and constant capital, and then, through the antithesis of circulating and fixed capital, are redistributed through the process of circulation in the form of price and profit. The readily apparent categories of price and profit cannot be collapsed into those of value and surplus-value. The determination of prices and profits by value and surplus-value is mediated by circulation which serves to redistribute value and surplus-value.10

We have seen how, in subsuming the multiplicity of particular production processes, the movement of capital assumes its material and concrete content. And we have seen how Marx, against the one-sided perspectives of bourgeois political economy, derived the particular material and temporal forms of productive-capital which congeal out of the overall circulation of capital.

Indeed, as the most material and concrete form of capital, productive- capital stands as the primary discontinuity within the overall movement of capital. It is the material recalcitrance of production that repeatedly stands in the way of the smooth circulation of capital. It is production that poses the ever present threat of the dissipation of capital's value into the multiplicity of concrete and material use-values that it must subsume.

Yet, as Marx goes on to show in chapter 15 of Volume II, not only does the circulation of capital posit production as its primary discontinuity, which then becomes subsumed within its overall movement, but equally the continuity of production must at the same time posit circulation as discontinuity. From this congeals the specific form of halted capital-in- circulation which Marx terms latent or suspended capital.

For Marx, with the development of the specifically capitalist mode of production which emerges with the real subsumption of labour to capital, the continuity of production becomes a vital factor in the enormous development of the social productivity of social labour. With large scale mechanized production systems it becomes far more important to keep the production process in motion rather than incur the huge delays and losses that result from stopping and starting the production line. Continuity of production therefore becomes a crucial and distinguishing factor of capitalist production.

To maintain the continuity of the capitalist production process it is necessary that at the end of each production period the raw materials and labour-power is present in sufficient quantities with which to immediately recommence the next production cycle. However, the commodity-capital produced at the end of any particular production period cannot immediately assume the form of productive-capital with which to recommence production. It has to circulate as commodity- and money-capital - as capital-in-circulation - before it can return as productive-capital. Capital-in-circulation therefore stands as an unavoidable delay which threatens the very continuity of capitalist production.

How is this discontinuity posed by capital-in-circulation overcome? Marx answers this question by making the simplifying assumptions (1) that fixed capital is of no consequence and (2) that the production and circulation period of a particular capital is constant He then considers three possible cases:

1. The production period equals the circulation period.
2. The production period is greater than the circulation period.
3. The production period is less than the circulation period.

Let us consider each of these in turn.

(1) In the first case Marx points out that an individual capital need only break up into two distinct parts. While one part is in the process of circulation the other will act as productive-capital. If they both begin their separate processes at the same time then, since both are of equal length, they will both finish their respective processes at the same time. Hence, that part which was acting as capital-in-circulation will return to the forms of productive-capital required to recommence production just at the moment when the other part of capital, having completed its time in production, is set to enter circulation. Thus the continuity of production, and of circulation, is assured.

We may illustrate this as follows:

Capital in phase one:

C' - M' C\

C' P C' P C'

\C' - M C'!

Capital in phase two

That part of capital in phase one begins in circulation. After proceeding through the twin acts of exchange (C‘ - M' - C') it returns in the material form required to recommence production just as that part of capital in phase two is set to leave production. Then, while the capital in phase two passes through the forms of circulation, that part in phase one continues production in the form of productive capital.

So in the case in which production time is the same as circulation time capital can split into two phases each alternating between production and circulation as if they were two independent capitals. It is not so simple as this once we come to consider the second and third cases.

1. Let us take Marx's example where the production period is twice the length of the circulation period; the former being taken as six weeks and the latter being taken as three weeks. And further suppose that the total capital advanced is £900. Again capital will split up into two distinct parts or phases in order to maintain the continuity of production. But these two parts will no longer be equal. Firstly, £600 will be thrown into production as productive- capital, which after six weeks will emerge in the form of £600s worth of commodities to be sold. As this £600 leaves production the other £300 will be used to sustain production for a further three weeks until the original £600

returns from circulation to recommence production itself. So, at the end of nine weeks £300 will have been committed to production for three weeks and £600 will have returned from circulation.

Yet to complete the second production period, which is not due to finish until week twelve, only a further £300 is required. The remaining £300 must therefore be held in hand, either as money-capital or as a stock of commodities required for production. It is only at the end of the second production period that this suspended or latent capital need be converted into actually functioning productive-capital so as to maintain production for a further three weeks until the capital involved in the second production period can return to sustain the remainder of the third production cycle (see Figure 9.2).

From this we can see how periodically capital must become temporally fixed in the form of commodity-capital or money-capital in order to sustain the continuity of production. This, as Marx points out is also true in general for the third case where the production is less than the time of circulation.

1. Let us consider the example of a capital in which the production period is four weeks while the circulation period is six weeks, giving an overall turnover period of ten weeks. Further let us suppose that, as before, £100 is needed to sustain production for each week.

With this example we find that £400 must be advanced for the first production period at the end of which this capital, in the form of freshly produced commodities, leaves production and enters circulation. Since none of this capital will return until the end of the tenth week a further £600 will have to be advanced to sustain production in the intervening six weeks: £400 to start the second production period and £200 to cover the first two weeks of the third production period.

So, at the end of the tenth week the original £400 returns from circulation. £200 of this is then used to complete the third production period while the other £200 is held aside as latent capital until the end of week twelve when it can be set in motion once more to start the fourth production cycle. Then, at the end of week fourteen, the £400 used to set in motion the second production cycle returns. Again £200 is immediately thrown into production so as to complete the fourth production cycle, while the remaining £200 is held in hand as latent capital waiting until it can commence the next production cycle at the end of the sixteenth week.

As in the previous case, in general the continuity of production requires that capital-in-circulation becomes frozen temporally as latent capital. However, Marx shows that in this general case, in which the production time is less than the circulation time, there is a special exception to this rule, namely where the circulation period is an exact multiple of the production period. In such cases the return of capital from circulation can always be

Productive-

Capital

Week 1

Week 6

Idlfi Capital- Latent- in- Capital Circulation

Week 9

Week 12

Week 16

Week 18

**Figure 9.2: The Case of Production Time Longer Than Circulation Time**

timed so as to coincide with the recommencement of production and therefore there is no need to hold aside a sum of latent capital to bridge the gap between the start of production and the end of the coincident circulation cycle.

Taken altogether we can therefore deduce that it is only in the rather exceptional circumstances where the circulation period is equal to, or else an exact multiple of, the production period, that there will be no need for the discontinuity of latent capital to ensure the continuity of capitalist production. In general, the continuity of production will demand the periodic stagnation of a part of capital-in-circulation as latent capital. What is more, although such latent-capital congeals out of the movement of capital-in-circulation and can therefore take the form of money or commodities, Marx observes that, since labour-power cannot be stored and the storage of the means of production may well be cosdy, latent capital will predominantly take the form of money-capital.

*iv) A brief consideration of the the final two chapters of Part II*

So, with the substantiation of the circulation of capital that is considered in Part II, we have seen how the continuity of the overall circulation of capital demands discontinuities in both its phase of production, and in its phase of circulation and exchange. However, so far in Part II, Marx has only considered circulation in abstraction from the expansion of capital. The circulation of surplus-value that is to be capitalized has been ignored. This, as we have seen, was necessary, not only as a means to simplify his exposition, but so that Marx could clearly and unambiguously press home the distinction between the production and circulation of surplus-value which was so vital if he was to overcome the confusion within bourgeois political economy on this matter. Now, having done this, Marx, in the final chapters of Part II, is in a position to consider the question of the circulation and capitalization of surplus-value that will bring Part II to its completion.

Yet what we find in these chapters (16 and 17) is a very muddled and disjointed exposition that is marked by numerous digressions and false starts. An exposition that is clearly in a raw state, and one that is far from being brought to an adequate form for presentation, even when compared to earlier chapters in Part II. Given such difficulties in Marx’s exposition here it is of little surprise that this section of Volume II has often been passed over by commentators. While we ourselves do not intend to disentangle Marx's line of argument in these two chapters in any great detail, it is perhaps informative to briefly consider the methodological difficulties that Marx faced at this point in his exposition.

It is perhaps no accident that Marx should have encountered difficulties in

bringing to the point of presentation the analysis of these concluding chapters of Part II of Volume II. By bringing into consideration the circulation and capitalization of surplus-value, Marx's analysis of the substantiation of the circulation of capital in terms of a particular circuit of capital comes to point beyond itself. Indeed, as soon the particular circuit of capital is considered as a particular capitalization of surplus-value the individual circuit is brought into an explicit connection with the total social capital. It therefore can no longer be considered simply in isolation; rather it begins to emerge as a particularization of social capital. As such the material considered in these chapters repeatedly comes to anticipate the analysis of Part III of Volume II. But this is not all that we fmd anticipated in these very transitional chapters..

In chapter 16 Marx sets out to consider the effect of turnover on the accumulation of a particular circuit of capital. As a means to fmd a starting point with which to deal with this question, Marx begins his investigation by raising the problem of the apparent paradox that emerges with regard to the divergence between the simple and annual rates of surplus-value which arises between two capitals of differing turnover periods. The example which Marx considers in order to work out his solution to this paradox is as follows: Capital A consists of £500 in variable capital which is turned over once every five weeks. While Capital B in contrast consists of £5,000 which is turned over once every 50 weeks (or once a year - assuming a 50 week year). Both these capitals are assumed to have the same simple rate of surplus-value of 100 per cent, and, for the sake of simplicity, both are assumed to have a circulation time equal to zero. Under such assumptions it appears that Capital A will produce £5000 over a year in surplus-value, and will therefore have an annualized rate of surplus-value equal to 1,000 per cent (i.e. £5,000s/£500v). However, although Capital B has the same simple rate of surplus-value as Capital A, its annualized rale of surplus-value will work out as only 100 per cent (i.e. £5,OOOs/£5,OOOv).

As Marx finally shows, after numerous numerical examples, the solution to this apparent paradox is simple enough once the distinction is made between capital advanced and capital employed. In the case of Capital A the £500 of money-capital originally advanced is converted into productive-capital every five weeks at the end of which it returns as another £500 of money-capital. Hence the £500 originally advanced is employed ten times during the year meaning that over a year Capital A has employed £5,000 worth of capital which has produced £5,000 of surplus-value. In contrast, the £5,000 advanced by Capital B has been only employed once during the year and hence the annual capital employed is also £5,000 which has also produced £5,000 worth of surplus-value. Although Capital B originally advances more capital it does not produce proportionately more surplus-value because its prolonged period of production requires it to hold back a large part of this

advance as idle money-capital before it can be productively employed. This idle money-capital is only gradually converted into productive-capital over the course of an entire year, rather than over five weeks as with case of Capital A.

What, it may be asked, is the significance of this example? Through the solution to this apparent paradox Marx comes to make the important distinction between the advance of capital and its actual employment, which in turn allows him to show how the expanded circulation of surplus-value is necessarily interrupted or delayed by the varying turnover periods of particular circuits of capital. Hence we find one more example of how the specific characteristics of a particular circuit of capital require discontinuities within the overall continuity of capital's circulation.

However, this line of investigation leads Marx off at various tangents that can be seen to point beyond the immediate theoretical concerns of Volume II. By taking as his starting point the example of the two individual capitals, which are the same except for the fact of having different turnover periods, Marx, for the sake of illustration, comes to conflate the analysis of an individual capital - which properly belongs to Volume III - with an analysis of particular circuits of capital. As a consequence, Marx is easily led not only into seeing an individual circuit as the particularization of social capital, but also into opposing the individual capital to the total social capital. Hence he is led towards raising such questions as how the individual capitals came by their money-capital advances; and thus to further questions of borrowing, money markets and credit, all of which properly belong to Volume III.

But more than this, at the end of chapter 16, Marx's analysis briefly opens out on to the question of crisis, as he considers how the withdrawal of commodities and money due to the need to hold advanced capital idle impacts on the overall circulation of total capital. But raising the issues of credit, foreign trade, crisis and so forth is a hopelessly premature digression. Marx Is eventually obliged to break off and make a fresh start in chapter 17, which Ls then in tum disrupted by digressions and as such also proves to be a false start.

Yet it may be said that for all the false starts and digressions that we And in these two chapters, we are at least able to gain a glimpse, as we did with the Grundrisse, of Marx still in the process of closing off tangential questions, including those of rupture and crisis, so that he could order his presentation. But perhaps more than this, we also gain an indication of how close to the surface these questions of rupture and crisis are coming within Volume II, how near they are to eruption. A point that we shall develop in more detail in our subsequent consideration of the final part of this volume.

The movement of the particular capital therefore brings with it the periodic hoarding and dishoarding of money. The formal possibility of the independent existence of money which emerged in Volume I with money being withdrawn from the circulation of commodities as a hoard now re- emerges within the very circulation of capital. With latent capital this independent existence of money, distinct from circulation and production, finds its material content in the continuity of the particular production process. But does not the independent existence of money-capital point towards the relative autonomy of its movement as it did formally for money in Volume I? Does this relative autonomy of the abstract money-form of capital from its more concrete forms suggest a cleavage between them which may then eventually lead to rupture and crisis!? Indeed it does, but only tangentially for Marx's principal line of theoretical development at this point.

Latent capital stands as the temporary form in which capital-in-circulation congeals as a necessary interruption in the overall circulation of capital. Insofar as it allows the continuity of production to proceed, and that it eventually circulates itself as productive-capital, it is a discontinuity that is eventually resolved into the overall movement of capital. But as a discontinuity, latent capital contains the possibility of rupture; the possibility of the independent movement of money-capital that, in the form of what Marx latter calls fictitious capital, may overstep the limits of real production to cause crisis. But as such, latent capital stands as the counterpart to fixed capital.

Fixed capital itself stands as the temporary form in which productive- capital - capital-in-production - congeals as a necessary interruption in the overall circulation of capital. Insofar as it allows the continuity of the overall circulation capital by slowly passing on its value through the wear and tear and eventual obsolescence of its material forms, it is, like latent capital, a discontinuity that is eventually resolved into the overall continuity of the movement of capital. But it still stands as a necessary discontinuity, and as such it contains within it the possibility of rupture.

Fixed capital is capital frozen in the material form of the means of production. Although, as capital, it ultimately exists as a sum of value, it is a value that is not repeatedly validated through exchange. It is rather a sum of value that can only be imputed through its gradual depreciation. Fixed capital finds its immediate existence as the complex set of productive use-values in which it is incarnated. In fact, even though for a number of reasons, such as changes in market demand or technological change, fixed capital may become partly or completely devalorized it may still function as a set of use-values within the production process. Unlike circulating capital, fixed capital's

function as a productive set of use values can therefore obtain a relative autonomy from its essential function as self-expanding value. As such, fixed capital posits the possibility of a divergence between its productive use-values and its value whose unity can only be reimposed through rupture and crisis.

Marx, however, is not at this point primarily concerned with such possibilities of divergence and crisis. As we have seen, Marx's principal concern is to derive the material and temporal forms that arise out of the overall circulation of capital as categories that are sharply distinct from those that arise out of production itself. His main aim is to make clear, against all the confusion endemic to bourgeois political economy, that the overall circulation of value and surplus-value is radically distinct from their production. Surplus-value can only be created in production through the exploitation of living labour, and is merely redistributed through the overall circulation of capital. In pressing home this point Marx is able to dismiss all the contentions of political economy that serve to obscure the source of profit which arise from the analytical conflation of production with circulation. Marx is thereby able to underpin his essential conclusion of Volume I that profit arises out of the exploitation of labour.

Yet in pressing home this point Marx is obliged to stress capital as the unity of production and exchange. It is only through this emphasis on capital as the unity of production and exchange that Marx could clearly distinguish the production of surplus-value from the circulation of capital. Any concerted pursuit of the question of rupture and crisis would have raised the question of devalorization and the destruction of surplus-value which would only have caused untold confusion within his current exposition.

So even though in deriving the categories of circulation Marx repeatedly posits discontinuity within circulation, he is ultimately obliged to resolve this discontinuity within the overall continuity of circulation which comes to express the unity of production and exchange.

Thus, for example, capital becomes partly halted in production as fixed capital, but only temporarily. Through the provisions for wear and tear and the eventual replacement of its material form, fixed capital eventually leaves production and circulates within the realm of exchange. The continuity of overall circulation is thereby maintained. There is no question at this point of investigating the possible devalorization of fixed capital or its possible role in crisis. What is important for Marx here, as we have seen, is to avoid the confusion of the circulatory antithesis of fixed and circulating capital with that of the productive antithesis of constant to variable capital.

So, here in Part II of Volume II Marx's emphasis remains on the unity of capital; of capital as the unity of production and exchange. The question of rupture and crisis remains submerged as a mere possibility tangential to the principal line of theoretical development. We must now follow this line of

1. Part III: the particularization of social capital

In Part II of Volume II Marx showed how the formal movement of capital became substantiated by subsuming the multiplicity of particular production processes. Now, in Part III, Marx turns round to consider how the circulation of this multiplicity of particular capitals comes to constitute the particularization of the circulation of social capital.

1. *The circulation of revenue and capital*

Following an introduction which includes an extensive digression on the question of money, the implications of which we shall return to in due course, Marx begins with a rather lengthy critique of Adam Smith's theory of the circulation of the national income.

For Smith, the total value produced within an economy must equal its total revenue, since the cost of production for one producer is a revenue for another. Hence, translated into Marx's terms, while the value produced by an individual capital is:

w = S + V + c

the total value produced in the economy as a whole is:

W = S +V

where W, is the total value of commodities produced, S is the total surplus- value and V is the total variable capital. This will in turn equal the total revenue received by the three great classes in society. V will equal the total value of wages paid to the working class, while S will equal the total value received by the propertied classes in the form of rent to the landlords and profits and interest to the capitalists.

But it may well be asked, what happens to the value of constant capital in the value produced by each individual capital? Smith has a rather ingenious reply to this question by examining the composition of the value of constant capital itself. Constant capital will comprise commodities produced by another capital whose value will also break up into the value of its own means of production and the revenues of profit, rent and wages that are derived from it.

c = s' + v' + c'

But this is not all. The value of the constant capital, c', used up in the production of the means of production destined for the first capital considered, will also break up into three parts, two representing revenue and the third representing constant capital. We therefore have:

—t «.n • i —.it

C = S + V + c

And so on. With each step back the amount of constant capital becomes smaller, so that eventually, if we trace the value of the commodity back far enough it will all be resolved into the value of the various revenues represented by s and v.

By shuffling constant capital out of the equation it appears that capitalist production is merely a means for the generation of revenues which sustain the various classes of society, since all we are left with ultimately is the total circulation of revenue. The circulation, not only of constant capital but of capital as such, simply disappears in the light of the economy taken as a whole. Such a disappearance of the circulation of capital was of little concern for Smith, since, like all classical political economists, he was ultimately concerned with how the value of a commodity came to be distributed as class revenues.

For Marx, however, this disappearance was of vital importance. Unlike Smith, Marx could not uncritically accept that the process of capitalist production and circulation was simply a means through which the revenues of the three great classes emerged. Rather, for Marx, the purpose of capitalist production and exchange was nothing other than the self-expansion of capital. Capital was a self-mediating process that had itself as its own means and ends. From such a perspective revenues were merely epicycles that were necessary for the overall circulation of capital. Hence, for Marx, capital could not be simply reduced to a source of revenue.

So how was it possible for Smith to simply reduce the circulation of capital to the simple circuits of revenue? As Marx makes clear, revenue is not simply a return to 'a factor of production' but, in contrast to capital expenditure, is a return which is spent on consumption which has no immediate purpose in cither preserving or else expanding value. Thus insofar as rents and profits are frittered away on the personal consumption of landlords and capitalists, then surplus-value enters circulation as revenue. Furthermore, although wages are advanced by the capitalist to replace the variable portion of her capital, in the hands of the worker wages are spent as revenue to meet the

worker's immediate needs and purposes.

Even though the sustenance of both the worker and the capitalist is necessary for capitalism this purpose is not immediate but is rather mediated through the needs and wants of the worker and capitalist. To this extent Smith was correct to take both s and v as revenues, as they indeed are if it is assumed there is no reinvestment of surplus-value, and if the advance of wages by the capitalist as replacement of variable capital is ignored. The real problem for Smith was the constant capital part of the value of the commodity which, by serving to directly replace the value of the means of production used up in production, immediately served to preserve the value of capital and thus could not be so simply reduced to a circuit of revenue.

Yet, as we have seen, Smith neatly sidestepped this problem by simply shuffling out constant capital in his calculations of the economy as a whole. However, as Marx seeks to press home, this trick of tracing the value of commodity back either into its primordial past or else to some mythical labour process in which there is no constant capital is spurious. By considering the value composition of the commodity in terms of all the value ever created, Smith not only overlooks the fact value must be repeatedly revalidated in the market if it is to remain preserved, he also obscures the distinction between value created in a given period and the value preserved. By reducing all value to that created we obviously end up with only S and V.

But what more than anything else demonstrated the spuriousness of Smith's argument was the fact that, during any period of time, a large proportion of social labour has to be devoted to producing means of production, rather than the means of consumption which can be brought with revenues. If the total value only consisted of revenues then all these industries devoted to producing means of production would never be able to find a buyer.

As a consequence, Marx was led to consider the division of the total social capital into two departments: Department I which is devoted to producing means of production, and Department II which is devoted to producing the means of consumption. In making this division, Marx was not only able to provide a basis on which to overcome the confusion of Smith, but, as we shall now see, he was also able to begin to raise important questions concerning how it is possible for the total social capital to reproduce itself out of the multiplicity of particular circuits.

1. *The schemas of simple reproduction*

So, Marx divides the total social capital into two departments. Department I includes all those capitals which produce the means of production. Department II includes all those capitals that produce means of consumption. The total value of the commodities produced by each department can then be

Department I: Iw = Is + Iv + Ic

Department II: IIw = IIs + IIv + lie

The first problem is that at the of the production period in Department I, the value representing both wages and propertied income (i.e. Iw and Is) is in the material form of means of production not means of consumption necessary to satisfy the needs of the workers and capitalists in that department. However, at the same time the capitalists in Department II will find themselves in possession of commodities representing the value of their constant capital but in the material form of means of consumption. Since workers and capitalists in Department I can no more eat coal to survive as the capitalist in Department II can run their factories on cakes and buns, the only solution is for these two departments to exchange commodities.

So, if these two sets commodities are to be exchanged in accordance with their values the two departments must be in proportion to each other such that we have:

lie = Iv + Is

If we assume that both the value composition of capital and the rate of exploitation are uniform across the two departments then the proportion of abstract social labour that must be employed in the two departments (which we shall take as being equal to the ratio of the total values produced by them,

1. e. £1 = Iw/IIw) to ensure the smooth reproduction of the total social capital can be expressed as follows:

fl = k/(e + 1)

Here, then, we have the first condition of proportionality that must arise to ensure the simple reproduction of social capital. Yet there is no guarantee that this condition will be met On the contrary it must arise spontaneously out of the competition between capitals and, as can be seen, any alteration in the rate of exploitation or in the value composition of capital will upset any equilibrium established on the basis of this proportionality.

But this is not the only condition of proportionality that Marx identifies. A further problem arises within this 'schema of simple reproduction' with the division of Department II into two subdepartments: Department Ila which produces the means of subsistence, the necessities of life mainly consumed by the workers, and Department lib, which produces luxury goods for the consumption of the propertied classes.

Now at the end of each production period workers in Department Ha will be able to buy back with the wages they have received the means of consumption they have just produced. But workers in Department 13b will find the means of consumption they have produced to be of a kind too expensive and frivolous for their own immediate needs. At the same time, capitalists in Department Ila will find the commodities in their possession too basic to meet their tastes in contrast to those in Department Hb who will be able to buy back the commodities for their own personal consumption directly from their own subdepartment.

So alongside the exchange between Department I and Department II there arises a necessary exchange between the two subdepartments of Department

1. Thus we have:

Has = Hbv

But the workers and capitalists in Department I must also obtain their required means of consumption from the respective subdepartments of Department II. We therefore also have the exchange equations:

Hac = Iv

and

Hbc = Is

Together these constitute what we may term the second conditions of proportionality that must hold to allow the simple reproduction of social capital. A condition that clearly complicates that of the first. But this is not all. Marx identifies a third set of conditions that arises with the division of Department I into two subdepartments. But before we can consider this third set of conditions it is necessary to look at the role of money in the exchange between the two departments of social capital.

As we have seen, lie = Iv + Is expresses the necessary value relation that must hold in the exchange between the two departments necessary for the smooth reproduction of social capital. But as such it expresses a two-fold social process. Firstly, a set of concrete use-values contained in those commodities produced in Department I are to be exchanged for another set of concrete use-values contained in the commodities produced in Department II. But for such an exchange to take place these use-values must be made commensurate with each other as equal quantities of value. They thereby come to express themselves in the common and external measure of value - money.

However, it is not sufficient for money to act as a simple measure of value; it must also be present to enact the necessary transfers to bring these

exchanges about. It must act as a means of circulation. Money must therefore act as both a measure of value and a means of circulation in order to bring about this exchange between departments. But this mediation can all too easily be eclipsed in its result

Any society with a division of labour at all developed will involve a separation between the production of means of production and the production of means of consumption and as such will require a transfer of use-values analogous to those that we have identified. A transfer that we shall denote as:

IxII

Such a transfer is transhistorical in that it can be applied to most modes of production. Taken as a result it is easy to reduce the exchange lie = Is + Iv to this transhistorical expression above. But because capitalism is based on the separation of the direct producers from the means of production, the division of labour between these two departments takes on a special social significance and is therefore far from being an arbitrary analytical division. Furthermore, the transfer is brought about through the exchange of commodities; that is, through a determinate equality of values. It is not sufficient for each department to have use-values the other requires for reproduction; it is also necessary that each department has the money to make the transfer of these commodities as values.

Marx repeatedly stresses the historical specificity of the 'schemas of reproduction', a point often overlooked by many commentators, and he endeavours to investigate the role money plays in mediating the exchanges between the two departments. Thus Marx takes the example of a social capital made up as follows:

Iw = 4000c + lOOOv + 1000s

and

IIw = 2000c + 500v + 500s

If each unit of value is expressed as £1 then the exchange lie = Is + Iv can be brought about through the mediation of money by a given sequence of exchanges. Assuming that Department I capitalists begin with £1000 in cash and Department II with £500 in cash then Marx proposes the following possible sequence of exchanges:

1. I pays £1000 in money for labour-power, hence for commodities equal to £1000.
2. The labourers buy with their wages amounting in money to
3. With the £1000 received from the labourers II buys means of production of the same value from I; hence commodities of equal value.

In this way the £1000 has returned to I as the money-form of its variable capital.

1. II buys £500 worth of means of production from I, hence commodities equal to £500.
2. With the same £5001 buys articles of consumption from II; hence commodities equal to £500.
3. With these same £500II buys means of production from I; hence commodities equal to £500.
4. With the same £5001 buys articles of consumption from II; hence commodities equal to £500.

(Capital II, p. 420)

With this sequence of purchases and sales the necessary exchange of commodities is accomplished and the capitalists in Department I find themselves ending up in possession of £1000 in cash they originally advanced, while those in Department II find themselves once again in possession of £500 in cash.

With this example, Marx is able to illustrate how the circulation of commodities necessary for the reproduction of social capital requires a counter-circulation of money to bring it about. What is more this circulation of commodities requires a certain sequence of monetary exchanges if it is to be repeatable, a sequence that could at any point break down or become disordered.

With the exchanges that we have so far identified, which emerged between the two departments and between the subdepartments of Department II, the circulation of money is immediately connected with the circulation of commodities. This is not the case now that we consider the third conditions of proportionality that emerge with the division into subdepartments of Department I.

Marx divides Department I into two subdepartments such that Department la produces instruments of production that are to serve as fixed capital, while Department lb produces objects of labour which are destined to serve as

circulating constant capital. This division further implies that the constant capital employed in Department II must be divided between that which is fixed capital and that which is circulating capital.

Within the exchange lie for Is + Iv capitalists in Department II will seek to obtain fixed capital from Department la to replace that which has become worn out, as well as circulating constant capital from Department lb to replace that which has been consumed during production. Thus just as with the division of Department II into two subdepartments we obtain a further set of value equations that must be satisfied in order to ensure the reproduction of social capital. But this is not all. We have a further problem concerning the reflux of money.

As before capitalists in Department II will sell means of consumption to Department I with a total value of Is + Iv which should then leave them in possession of a sum of money sufficent to buy back from Department I means of subsistence worth He. However, capitalists in Department II will not immediately need to replace all of their constant capital which they have employed during the previous production period. Indeed, they will only need to buy that part represented by circulating constant capital. The amount of money they receive which accounts for the depreciation of their fixed capital will be set aside in an amortization fund. Only when the instruments of labour used need replacing will the money in this fund be used to buy commodities from Department la.

So we find money being salted away in Department II in the form of amortization funds. Yet the capitalists in Department la need this money not only so that they can pay their workers' wages, but also to provide themselves with means of consumption. Without this money, neither the capitalists nor the workers will be able to purchase their means of consumption from Department H. Department H will therefore find itself facing a shortfall in the reflux of money coming back to it from Department I. With reproduction of Department la impeded so the reproduction of social capital as a whole becomes imperilled.

How can this discontinuity in the reproduction of social capital which arises with the production of fixed capital be overcome? The reflux of money can only be restored with the eventual purchase of fixed capital from Department la by capitalists in Department II. Indeed, periodically capitalists in Department II will have to make such purchases out of their amortization funds as fixed capital wears out and needs replacing. What is therefore required to sustain the smooth reproduction of the social capital is that money which is hoarded in the form of amortization funds is cancelled out by the dishoarding that arises from the purchase of new items of fixed capital.

So, abstracting from such complications as credit, in any one period Marx divides the capitalists in Department II into two sections. Section One will

include all those capitalists replacing their fixed capital by buying commodities from Department la, while Section Two will include all those simply sinking money into their amortization funds. The money being withdrawn from circulation by Section Two must now be offset by that being dishoarded by those in Section One.

So, with this third set of conditions, we not only require a given set of proportionalities to arise between the various departments and subdepartments in any given period but also over different periods of time as well! Such exacting conditions become even more complex once we move on to consider the 'schema of expanded reproduction'.

So, we have identified three sets of conditions of proportionality that must hold to ensure the simple reproduction of the social capital. These conditions still hold for the expanded reproduction of capital but are slightly modified due to the capitalization of surplus-value. We shall follow Marx and just consider the modification of the first set of conditions for the sake of simplicity.

With the expansion of capital the surplus-value in each department must become divided into that part which is to be capitalized and that part which will be retained as the revenue for the capitalists. That part which is to be capitalized will be further divided into that part which will provide for the additional variable capital and that part which will call forth additional constant capital. We therefore have:

s = as + Ps

and

as = Ac + Av

where s is the total surplus-value, as is that part which is capitalized and Ps is that part which is to be spent as revenue, with Ac and Av being the value of additional constant and variable capital respectively.

Since that part of the surplus-value which is to be capitalized will include a part which is no longer exchanged for the means of consumption the original exchange lie = Is + Iv becomes:

lie + IIAc = Iv + IAv + IPs

or

lie + IIAc = Iv + IAv + (Is - IAc)

That is. Department H, if it is to expand its scale of production, must not only replace the means of production it has used up in the current production period but must also capitalize part of its surplus-value in the form of

additional means of production to the tune of IIAc which can only be obtained from Department I. Department I, for its part, will now need to secure additional means of consumption for its additional workers to a value of IAv if it is to expand its own scale of production. However, since only a part of its surplus-value will now be spent as revenue, the rest being used to expand the scale of production in the form lAv and IAc, Department I will need to purchase a diminished value, I|3s, of means of consumption from Department II in order to satisfy the personal requirements of its capitalists.

Yet this is not all. With the simple reproduction of capital, once the first set of conditions of proportionality had been established in any given period they were the same for all subsequent periods so long as nothing else changed. But now both departments must not only be proportionate in any one period, they must grow in proportion, such that the conditions of proportionality are satisfied in each subsequent period even if the rate of exploitation and the value compositions of capital remain constant in both departments.

Thus with the 'schema of expanded reproduction', the first set of conditions of proportionality that arose with the simple reproduction of capital becomes modified both synchronically and diachronically. Similar modifications can be taken to apply to the other two sets of conditions of proportionality - though we do not propose to elucidate these here. But what is more, specific to the expanded reproduction of capital, Marx identifies a fourth set of conditions of proportionality that must be satisfied.

Any particular production process requires a minimum set of productive use-values to set it in motion. Half a factory is of no more use in producing either real material wealth or surplus-value than no factory at all. Indeed, even a whole factory is of little use if it does not house tools and machinery required in the production process or does not have a supply of raw materials and labour to set production in motion. The combined value of this minimum set of productive use-values defines the minimum quantum of capital required to expand a particular production process. As capitalist production develops, production is carried out on an ever larger scale and consequently the minimum quantum required to expand production will tend grow larger.

Now, with the expanded reproduction of capital, surplus-value must be capitalized so as to set more production processes in motion. But it can become capitalized as productive-capital only insofar as it is sufficient to meet its own particular capital quantum. With the tendency for the minimum quantum of capital to rise, many individual capitals will produce insufficient surplus-value in any given production period to meet such quantitative requirements for immediate capitalization. Instead surplus-value will have to he accumulated over several production periods as potential money-capital. This money-capital will be hoarded in the form of an investment fund until it

is of sufficient size to be converted into new productive-capital.

Here we have an analogous problem to that which we encountered with fixed capital, which arose once we made the distinction between the two subdepartments of Department I. The circulation of money becomes halted by temporarily taking the form of a hoard - in this case in the form of an investment fund. As a result there arises the possibility that those in Department I will be unable to sell what they have produced and will as a result be unable buy what they require in order to sustain production from Department n. In fact, in this case, it will be those in Department I producing additional means of production (i.e. IAc), rather than those exclusively in Department la, who will immediately face the problem of a shortfall in demand due to the withdrawal of money from circulation.

As before the solution is to recognize that the hoarding arising from investment funds is counterbalanced by a dishoarding from such funds. So, following Marx, we can divide capitalists into two sections. In Section A we have all those capitalists which are currently sinking their surplus-value into investment funds and who are therefore withdrawing money from circulation. Conversely, in Section B we have all those capitalists that are currently in the process of converting there investment funds into productive-capital and thereby releasing their hoarded money into circulation. As with the third set of conditions of proportionality, what is required is that these two sections of capital are such that the hoarding by one section is exacdy offset by the hoarding of the other. So the amount being sunk into investment funds by Section A must be equal to that being paid out on new investment by Section B.

With this necessary proportionality between Section A and Section B we have the fourth set of conditions of proportionality, which like the third set must be reproduced over time as individual capitals making up these two sections change from period to period.

We need not examine any further Marx's analysis and illustration of the 'schema of expanded reproduction' with which he concludes Volume II. What is important is that it can be clearly seen that the exacting and complex conditions of proportionality that arise with the 'schemas of simple reproduction' become further compounded in their expanded form which applies to the normal development of the capitalist mode of production. We shall draw the implications of this with the conclusion of our consideration of Volume II, but before this we must briefly consider the Marx's repeated insistence on considering the role of money which we find throughout Part

III.

We have seen how, through his 'schemas of simple and expanded reproduction', Marx has established the conditions of proportionality necessary for the smooth reproduction of social capital. However, at this point it should also be noted that throughout Part III Marx repeatedly returns to the question of money in the reproduction of social capital. As we have already seen, Marx insists on recognizing the importance of the fact that the circulation of commodities both between and within the various departments of social capital which ensure its reproduction requires a counter-circulation of money. The mutual exchange of commodities both within and between departments can only be carried out by a corresponding tlux and reflux of money.

However, insofar as the conditions of proportionality hold such that social reproduction remains in 'equilibrium', money appears in the series of exchanges only fleetingly. It acts simply as a means of circulation which does little more than oil the wheels of the reproduction process. It is this that leads many Marxist 'economists' to overlook the importance of money in Marx's 'schemas of reproduction'. Indeed, for those who would look to the 'schemas of reproduction' as evidence of Marx as some kind of general equilibrium theorist, money becomes reduced to nothing more than a mere numeraire.

Yet we can see that in repeatedly returning to a consideration of money throughout Part III, Marx was seeking to avoid this error of reducing money to simply its function as a means of circulation even though his main analysis at this point tends to impose such a reduction, albeit provisionally. As we have seen with regard to fixed capital and the accumulation of given quanta of new capital, even in the 'schemas of reproduction' we can see money beginning to emerge in its third function as both a hoard and a means of payment. The development of this third function becomes even more important once these conditions of proportionality are taken not to apply. This is indicated in Marx's numerous digressions into the question of money and credit that punctuate the text of Part III, and which, indeed, often open out on to the question of rupture and crisis.

But all such digressions are tangential at this point. Marx is primarily concerned with the possibility of the reproduction of social capital - with capital's coherence - he has yet to develop his monetary theory of credit and can only go as far as to consider money as commodity-money. As such Marx is constrained in developing the third function of money, let alone the question of crisis and rupture. All he can do is indicate the implied third function of money and allude to the possibilities of crisis and rupture. Yet with Marx's repeated diagressions on money in Part III we can see the increasing tensions within the text that are pointing towards such tangential

*iv) Conclusion*

So, in conclusion, what is perhaps most striking in our consideration of Marx's 'schemas of reproduction' is the very precariousness of the conditions of social capital's reproduction. As we have seen, the reproduction of social capital, with capital as the unity of production and exchange, depends on a series of highly restrictive and exacting conditions of proportionality holding between the various departments and sections that together make up social capital as a whole. These conditions are not imposed prior to the overall circulation of capital but must arise spontaneously out of this very process itself. Indeed, these conditions can only be established de facto as the result of the competitive and chaotic interaction of many-capitals. In such circumstances it would seem unlikely that any of these conditions of proportionality necessary for the smooth reproduction of social capital would ever be satisfied other than by pure accident, and even then not for long.

It would appear then that in delineating the possibility of the overall circulation of social capital Marx comes to posit its very impossibility.11 We find ourselves back in a similar position to that which we were in at the end of Marx's analysis of the circulation of money and commodities in Volume I, except that now we are at a more concrete level of analysis. The discontinuities which we found earlier in Volume II, which congealed in such forms as latent and fixed capital for example, now threaten to disrupt the overall movement of capital. We face the possibility of the divergence between the movement of capital-in-circulation and capital-in-production (money-capital versus productive-capital) and thus the possibility of their forcible reunion through the destruction and devalorization of capital. That is, we face the possibility of rupture and crisis in the movement and overall circulation of capital.

Indeed, the question of rupture and crisis seems imminent It appears to be on the verge of breaking through into the text of Capital. But once more Marx cannot countenance such an event at this point in his exposition. It is still tangential to Marx's principal line of theoretical development. In order to uncover how far the conditions of proportionality may arise spontaneously out of competition and the consequences if they do not, it would be necessary to examine this competition between the multiplicity of individual capitals itself. But Marx at this point is not yet in a position to do so. He has yet to consider how surplus-value takes the distributional forms of profit, rent and interest; and he has yet to consider the singularity or individuality of capital which must be understood before he could contemplate considering such competition between the multiplicity of capitals. All this belongs to Volume

Ill and beyond.

However, as we shall see in the next chapter, the question of rupture and crisis which has been brought to imminence in Volume II begins to surface more and more violently in the final volume of Capital. Yet even there it has to be confined to the margins of the text.

Notes

1. See Luxemburg (1963).
2. We shall consider the controversy concerning the solution to the

'transformation problem' in chapter 12.

1. It is perhaps important to stress here that the closure of rupture and

crisis is intrinsically linked to the closure of the counter-dialectic of class struggle as two aspects of a two-fold closure. However, for the purposes of our exposition here we have separated them out as if they were in fact independent of each other. This should be bome in mind by the reader.

1. Most Marxist presentations of Capital which seek to stress that it is a

critique of political economy rather than simply an exposition of Marx's 'economics' rarely go beyond Volume I. Indeed many do not get beyond the first chapter of the first volume. A full consideration of all three volumes has therefore been mainly left to Marxist 'economists' who have tended to overlook the importance of Volume II, particularly Parts I and II. Indeed, it has been only when confronting the more concrete questions, such as the globalization of capital, that the categories of the three industrial circuits of capital have been brought into play as important tools of analysis. One exception to this is Desai who has placed the three circuits of industrial capital in a central position in his understanding of the political economy of Marx. See Desai (1979).

1. The Physiocrats were a school of French economists who were the early precursors to Classical Political Economy. Their importance for Marx was that they were the first to grasp the economy as a system of circulation and reproduction and also the first to theorize labour (albeit only agricultural labour) as the sole source of value. For Marx's critique of the Physiocrats, see (TSV I).
2. The theory of capital as simply a matter of abstract time, and the consequent theories of capital as merely an expression of the 'roundaboutness' of production, was most clearly set out by the Austrian School of neoclassical economics, the most notable of member of which being Bohm-Bawerk. For a modem restatement of

such theories see Hicks (1973). Also to see the continuing importance of such theories to the more sophisticated and advanced of modem neoclassical theory see the introduction to Bliss (1975).

1. Of course the distinction between the time of circulation and the time of production may not be so clear cut in practice. For Marx transport, by materially transforming a products' use-value by changing its physical location, was part of production and hence the socially necessary time required to transport commodities from where they are produced to where they are to be consumed is part of the time of production. But it may also be part of these commodities ume of circulation. Hence in practice production time and circulation time may overlap. This of course facilitates the confusion that arises from the perspective of money-capital that turnover time is essentially all the same.
2. We shall return to consider the formation of the annual rate of profit in more detail in chapter 10.
3. See the chapter 7 on the labour-process in Volume I of Capital and our consideration of it in the previous chapter.
4. For an analysis of the relation of fixed and circulating capital and the formation of prices and profits, see Shortall (1986).
5. This aspect of the 'impossibility of capitalism1 that becomes apparent with the schemas of the reproduction of capital and the very precariousness of their conditions of proportionality is brought out by Rosa Luxemburg's theory of imperialism. See Luxemburg (1963, 1972). For Luxemburg, the increasing value composition of capital inherent within the process of capital accumulation could only serve to continually disrupt the conditions of proportionality required for the smooth expanded reproduction of social capital and would, as a consequence, perpetually plunge capitalism into a crisis of underconsumption. The only resolution to this 'impossibility of capital accumulation' was through the imperialist expansion of capitalism and the annexation of pre-capitalist social formations into the world capitalist system. See Bukharin's critique of this thesis of the essential impossibility of capitalist accumulation' - 'Imperialism and the Accumulation of Capital' - translated and published in Luxemburg (1972).

**10 The enactment of closure within Capital: Volume III**

Introduction

We have seen in the previous chapter how, in Volume II, Marx considers the articulation of production with exchange through the process of the overall circulation of capital. In Volume III Marx proceeds to show how, on the basis of the unity of this articulation of production with exchange, the essential laws of capitalist production, which had been revealed in Volume I with his theory of surplus-value, become manifest at the surface of bourgeois society in the guise of the distributional forms of the 'trinity formula' that were so familiar to bourgeois economists. That is, how surplus-value takes on the distributional forms of profit, rent and interest, alongside the appearance of the value of labour-power as the wage.

Consequendy Volume III may be decomposed into four main divisions as follows:

Division I - The qualitative and quantitative transformation of surplus-value into profit. (Parts I - III).

Division II - The division of gross profit into profit-on-enterprise and interest. (Parts IV and V).

Division III - The appropriation of surplus-value as rent. (Part VI).

Division IV - The 'trinity formula' of profit (interest), rent and wages, as the objective basis for the three great classes of bourgeois society. (Part VO).

In the course of this exposition in Volume III Marx comes to show how the material conditions underlying bourgeois society become inverted in the

everyday understanding of the bourgeois individual. An inversion which then becomes generalized and systematized in the theories of bourgeois political economy.

In ending Volume III with the 'trinity formula' - the starting point of bourgeois political economy - Marx completes his specific problematic. He reaches the point where he can show how the inner laws of capital appear inverted in the mind of the bourgeois political economist

Yet Volume III sets forth from capital as the unity of production and exchange. A unity in which the various discontinuities of the process of circulation have been provisionally held fast within its overall continuity. The problems indicated in the movement of capital in the previous volume, the imminence of crisis and rupture, remain foreclosed. But, as we shall see, such questions pointing towards crisis become increasingly insistent, repeatedly erupting into the text of Volume III as tangential digressions. Hence as Capital draws to a close with its final volume it comes to point beyond itself as the provisional closure which it has imposed becomes exhausted.

A) The transformation of surplus-value into profit

1. *The qualitative transformation of surplus-value into profit*

Marx in the opening chapters of Volume III considers the qualitative distinction that arises between surplus-value and its phenomenal form, profit. To do this he begins by taking the individual capital insofar as it expresses the singularity of capital-in-general - that is, insofar as it is merely the particular expression of capital as such. As a consequence Marx is still able to equate value with price and the magnitude of surplus-value with the magnitude of profit as he had done since Volume I. However, with the exposition of Volume II complete, Marx now posits the individual capital not merely in terms of production but in terms of individual capital as a particular unity of production and exchange. It stands as a particular unity of the particular forms of the circulation of capital between production and exchange.

As we saw with the theory of surplus-value, labour-power is subsumed in the capitalist process of production as variable capital. The creative and renewing powers of labour become appropriated as an objective force of capital. This subsumption of labour to capital must of course be repeated with the beginning of each production cycle. With each cycle capital must confront labour as an alien and antagonistic force set to devour it once more.

It is indeed this repeated confrontation of capital and labour that defines the material basis for the class relations of bourgeois society.

But at the point at which labour has been successfully subsumed within the

movement of capital, with the completion of the production process, the capitalist must leave production and enter the realm of exchange. Here a completely different set of problems awaits the capitalist. The capitalist now faces the problems associated with the realization of surplus-value rather than those of expropriating surplus-value from labour. At this point the capitalist's other is no longer the worker but other capitalists. The antagonism with labour is now eclipsed in the competitive battle between capitalists to buy and sell their commodities in the market.

With production and the subsumption of labour now presupposed as a mere phase in the overall reproduction of the individual capital, labour-power appears as merely another cost of production. It appears as merely another part of the total capital that must be realized and advanced in order that production may be recommenced. Labour-power, now reified as variable capital and taking its money-form as the wage, stands as just another 'factor of production' whose contribution must be paid for out of the sale of the final product before profit can be made. As merely another cost of production the specific functions of labour-power in producing new, and preserving old, value thereby become obscured in the homogeneity of money.

But it is not only the various costs of production that appear as one and the same in the homogeneity of money at this stage. Surplus-value must be realized in the money-form as the capitalist's gross profit. It is only in this form, which arises out of the process of exchange, that the capitalist comes to recognize the surplus-value that she has extracted from production. Surplus- value, with its appearance to the capitalist as profit, therefore appears as something external; something that emerges out of capital's interaction with other capitals in the process of exchange. Furthermore, as simply a sum of money, it can be juxtaposed to the sum of money that represents the costs of production.

With surplus-value in the form of profit being considered as something external to the individual capital which is then to be juxtaposed to the total costs of production of that capital, all the inner connections involved in the production of surplus-value become obscured. The internal formula of value derived in Volume I, namely:

W = S + C + V

makes its appearance for the capitalist as the external formula of the selling price:

p = c + n

Where P is the selling price, fl is the gross profit and C is the total costs of

production.

With this external formula of the selling price the price of the commodity appears to be determined, not by the value preserved and added in the production process by living labour, but by the (money) costs of production (which can be made up of any number of different elements) plus an externally determined mark up for profit. Hence profit is not seen to arise from the extraction of surplus-value from living labour but is instead seen to arise from the simple buying and selling of commodities.

This has important implications once the capitalist seeks to measure the efficacy of her capital against that of other capitals. Since profit is simply juxtaposed against the total costs, the internal measure of capital - the rate of surplus-value, which explicitly expresses the class relations of capitalist production - becomes transmuted into the external measure of capital - the rate of profit, which expresses the relation between capitals and capitalists. That is:

e = s/v

becomes replaced by

r = s/(c + v)

or

r = n/c

in the calculations of the capitalist

It is this ratio, the rate of profit, not the rate of surplus-value, which comes to measure the fecundity of the individual capital for the capitalist and which therefore governs the capitalist's actions. In the competitive struggle between individual capitals it is the rate of profit that is of central concern to each individual capitalist and it is this rate which each will seek to maximize.

The rate of profit, however, does depend on the rate of surplus-value. A rise in the rate of surplus-value will tend to increase the rate of profit, while a fall in the rate of surplus-value will tend to lower the capital's rate of profit. Yet while the rate of profit is directly related to the underlying rate of surplus- value it is, at the same time, inversely related to the value composition of capital. This becomes clear if we rewrite the equation for the rate of profit in terms of both the rate of exploitation and the value composition of capital as follows:

r = e/(k+ 1)

The determination of the rate of profit by the underlying rate of surplus- value therefore becomes mediated by the value composition of capital, by the relation of dead to living labour for each individual capital. A change in the rate of surplus-value may not therefore produce a corresponding change in the rate of profit. It may well be offset by an associated change in the value composition of capital. As a consequence the effects of changes in the underlying rate of surplus-value which expresses the social relations of production may well become obscured from view through its necessary mediation by the technical relations of production that are expressed in the value composition of capital.

So, in the opening three chapters of Volume III Marx unfolds this qualitative transformation of surplus-value into the form of profit and in doing so shows how this transformation serves to obscure the essential social relations of capitalist production. The failure of bourgeois political economy even to pose, let alone solve, this qualitative transformation of surplus-value into profit has meant, as Marx is keen to point out, that it has failed to grasp the true nature of profit within the capitalist mode of production. As a result bourgeois political economy has tended to produce two one-sided conceptions of profit.

The first conception of profit emerges from the simple and direct theorization of the everyday perceptions of the individual capitalist. From such perceptions profit appears as something completely external to the individual capital, as something that arises out of the interactions of the buying and selling of commodities rather than from their production. This leads to the conception that the true value of a commodity is its cost-price. Cost-price is the minimum price necessary to solicit the various factors of production required to reproduce the commodity. Profit, on the other hand, appears merely an accidental addition to the cost-price which may or may not occur according to the vagaries of competition and exchange. Thus the 'true value' of a commodity sold at a profit will always be below its selling price.

Such a perspective, which as we have seen is immediately apparent to the individual capitalist, came to be incorporated within theories of the vulgar economists; but, as Marx points out, it was also a view held by many early socialists. The most notable being Proudhon.

Equating labour costs with cost-price, Proudhon argued that profit arose from swindling in the process of exchange which allowed capitalists to sell their commodities above their 'true values' and thereby make unwarranted profits. By simply ensuring that all commodities sold at their cost-price the unjustness of capitalist exploitation could be eliminated and labour could obtain its fair reward.

The vulgar economists have long since circumnavigated such criticisms, while maintaining a similar perspective on the origins of profit, by simply

denying the existence of profit as a normal state of affairs. For them, in the normal course of affairs, commodities will tend to sell at their cost-price, since what is usually classed as profit is in fact the interest the capitalist pays to herself for the use of her own capital. As such, profit is merely the cost that has to be paid for the use of capital; it is therefore merely a cost of production like any other and should be included in the total cost-price. Any profits made above this normal amount will eventually be competed away.1

The second conception of profit arises from the recognition of the persistence of profit as a given mark up over the cost-price which is neither competed away nor a simple product of swindling in the act of exchange. In this view the selling price is seen as the 'true value' of the commodity. Consequently profit is seen as an intrinsic part of the value of the commodity which is distinct from its cost. Profit is therefore not reduced to being merely another cost of production - it is not conflated with interest - but is rather seen as something over and above cost-price.

This conception of profit as a necessary and distinct part of the value of the commodity was that which was adopted by classical political economy. But, unwilling to trace the source of this necessary part of value to the exploitation of labour, they took it as a technical fact. All but the most primitive forms of production necessarily produce a surplus, and thus profit becomes viewed as simply a natural and technical fact of production. As a consequence, while the the existence and persistence of profit, as distinct from cost is accepted, its social form is denied.2

Between the denial of profit that arises with its first conception, and the affirmation of its necessity in the second, Marx clearly cleaves towards the second, although stressing its historical specificity. However, the first conception does contain an important element of truth, as we shall see when we come to consider the quantitative transformation of surplus-value into profit. But before this we must examine in detail the excursus with which Marx concludes Part I of Volume III.

1. *The excursus*

We have seen that, even if the magnitude of surplus-value is equal to the magnitude of profit for an individual capital, the rate of profit will diverge from the underlying rate of surplus-value due to the mediation of the value composition of capital. As a consequence the social origins of profit in the exploitation of labour become obscured by the technical relations of production.

But the value composition of capital is not the sole expression of the technical relations that serve to obscure the origins of profit. So in the final chapters of Part I Marx proceeds to consider the other factors that serve to

obscure the origins of profit. In doing so, however, Marx has to move away from the pure singularity of the individual capital with which he began Volume III to consider the individual capital in relation to other individual capitals. He has to begin the transition to the plurality of capitals which, as we shall see, he takes up more fully in Part II. But what is perhaps more important, in making this transition, Marx runs in to some difficulties. We find him unsettling the provisional closure that we found preserved at the end of Volume II. In fact by the end of this excursus the question of crisis erupts into the text in the form of an analysis of the relation between capitalist manufacturing industry and agriculture. Let us then consider this excursus.

The excursus begins with chapter 4. From Engels we leam that in the original manuscripts this chapter remained little more than a heading. It was left to Engels himself to fill in the contents as best he could for the final published version of Volume III. Of course we cannot say how close the resulting text of Engels is to what Marx would have written. Nor can we say precisely why Marx was unable write what seems to be a straight forward chapter. Yet we may suggest that the failure to write this chapter may indicate a difficulty, perhaps an uncertainty in setting out on this lengthy excursus rather than moving more or less straight onto Part II with the risk of a lack of comprehensiveness.

Nevertheless, whatever we may infer from the absence of chapter 4 in the original manuscripts, the published version that comes down to us consists of little more than a rather technical discussion, illustrated with several numerical examples, of the effect of the turnover of capital on the calculation of the annual rate of profit. What is the significance of this discussion?

As soon as we consider in any way the relation of the individual capital to that of other capitals it becomes clear that it is insufficient to consider the rate of profit as such. It becomes necessary to take into consideration that prime mark of the concrete particularity of each individual capital - its turnover period. An individual capitalist, in comparing her capital's performance with that of others capitals, will not be concerned with the rate of profit made over a particular period of turnover any more than she will be concerned with the rate of surplus-value. What will be of central concern is the common standard of the fecundity of different capitals - namely the annual rate of profit.

As we have previously noted, Marx, in Volume II, had already taken the first step in deriving the annual rate of profit from the rate of surplus-value by setting out the annual rate of surplus-value. Here, in Volume III, Engels simply fills in the gap by presenting the second step by showing how the annual rate of profit arises from the simple rate of profit. This discussion results in the following expression which, in our denotation, is:

We may rewrite this rather cumbersome expression offered to us by Engels as follows:

R = e.n/ (k+1)

From this it becomes clear that if both the rate of surplus-value (e) and the value composition of capital (k) are held constant, then the annual rate of profit (R) will be directly determined by the number of turnovers the capital in question makes in one year (n). The faster a capital can be made to turn over the greater the number of turnovers there will be in a year and hence the higher will be the annual rate of profit.

So with our move towards the plurality of individual capitals we find, with the turnover of capital, a further mediation between the determination of the rate of profit which is of concern to the individual capitalist and the underlying rate of surplus-value. For the capitalist, turnover, like the value composition of capital, does not appear as a mediation in the determination of profit by surplus-value - she does not see an increase in the rate of turnover as reflecting the faster production of surplus-value, as Marx in Volume II had shown was the case - but rather as an independent factor in the determination of the annual rate of profit; a factor that is no less important or essential than any other such factor. In fact, while the rate of surplus-value may not even appear in its disguised form of the profit per worker in the accounts of the individual capitalist, the rate of turnover will be of pressing everyday concern to her. As a consequence, turnover serves to further conceal the true origins of profit in the exploitation of labour. In fact, in terms of the rate of turnover, profit comes to be seen as simply a product of time itself!

By raising the question of the annual rate of profit and its relation to the overall turnover of capital this excursus comes to presuppose the question of the turnover of constant capital. In Volume II Marx had only gone as far as dealing with the turnover of variable capital; the turnover of constant capital being notable by its absence.3 This absence is no doubt an important factor in blocking Marx's attempts to write chapter 4, and, as we shall now see, serves to seriously disrupt the development of this excursus as Marx comes to consider further the relation of constant capital to the qualitative transformation of surplus-value into profit.

Chapter 5 deals with the question of the relation of constant capital to profit. However, an examination of this chapter soon reveals the rather preparatory and tentative nature of the excursus, even more perhaps than the

absence of chapter 4 in Marx's original manuscripts. Not only is this chapter overloaded with a series of rather disparate empirical examples of the various economies that may be made in the employment of constant capital, but also the general discussion that precedes these examples is, to say the least, lacking in a certain degree of clarity. Yet before we proceed to examine the contents of this chapter any further we must first pause to discern its role and purpose at this point in Marx's exposition of the qualitative transformation of surplus-value into profit.

On reflecting back on the process of production from the standpoint of exchange, constant capital is remembered not as the material embodiment of labour objectified in precedent production cycles, but as simply the material forms of the means of production, which, as her property, the capitalist contributes to the process of production alongside, and independently of, the contributions made by land and labour. With all the inner connections between labour and constant capital obscured from view, the individual capitalist comes to regard constant capital as an independent and separate 'factor of production' (i.e. 'capital') that somehow coexists in the process of production side by side with the other equally independent and separate 'factors of production' (i.e. 'land' and 'labour').

In turning back to the sphere of circulation and exchange all reference to the productive use-values of the various 'factors of production' become eclipsed in the capitalist's overriding concern with cost. Each of the 'factors of production' now appears as simply a particular element in the total costs of production. An element, which like all the other coexisting elements of the total costs of production, acts as a negative determinant of the capitalist's profit.

This negative determination emerges more clearly if we rewrite the formula for the selling price as follows:

n = p-c

Since for the individual capitalist the selling price (P) is for the most part given, any increase in profit must come from a reduction in the total cost of production - or cost-price - (C). For the capitalist it does not matter how the reduction in the total costs of production is made; whether it comes from savings in the costs of the 'factor of capital' or from savings in the costs of the 'factor of labour1 makes no difference in the end. Any savings, no matter what their source, will serve to raise the capitalist's profit. Within this perspective all trace of labour as the sole source of both value and surplus-value becomes expunged. For the individual capitalist profit seems to arise just as much from her efforts to minimize the costs of the means of production (constant capital) as it does from her efforts to minimize the costs of labour (variable capital).

Both these elements of the total costs of production appear as equally important negative determinants of profit. This then becomes reflected in the capitalist's calculations of the rate of profit which, as we have seen, becomes expressed in terms of the profit made over the total capital advanced - constant capital as well as variable capital.

In examining the Economy in the employment of constant capital' - which is the title of chapter 5 - Marx, at this point in his exposition, can be seen to be attempting to show how the various ways and means of making savings in constant capital serve to obscure the transformation of surplus-value into profit; not only in the mind of the individual capitalist but also in that of her individual labourer. That this was Marx's intention is clearly evident from the following passage that occurs towards the end of the opening section of chapter 5:

...the capitalist views economy of his constant capital as a condition wholly independent of, and entirely alien to, his labourers... This economy in the application of the means of production, this method of obtaining a certain result with a minimum of outlay appears more than any other inner power of labour as an inherent power of capita] and a method peculiar and characteristic of the capitalist mode of production.

This concepdon is so much the less surprising since it appears to accord with fact, and since the relationship of capital actually conceals the inner connection behind the utter indifference, isolation and alienation in which they place the labourer vis-a-vis the means of incorporating his labour.

First, the means of production that make up the constant capital represent only the money belonging to the capitalist...and are related to him alone, while the labourer, who comes to in contact with them only in the direct process of production, deals with them as use-values of production only, as means of labour and materials of production. Increase or decrease of their value, therefore, has as little bearing on his relations to the capitalist as the circumstance whether he may be working with copper or iron...

Second, insofar as these means of production in the capitalist production process are at the same time means of exploiting labour, the labourer is no more concerned with their relative dearness or cheapness than a horse is concerned with the dearness or cheapness of its bit and bridle.

Finally,...\he labourer looks at the social nature of his labour, at its combination with the labour of others for a common purpose, as he would an alien power; the condition of realising this combination

is alien property, whose dissipation would be totally alien to him if he were not compelled to economise with it. The situation is quite different in factories owned by the labourers themselves, as in Rochdale, for instance. (Capital in, pp. 84-5)

Yet, while it is evident from a careful examination of chapter 5 and its context that Marx intended to show how the qualitative transformation of surplus-value into profit becomes obscured from both the individual capitalist and the individual worker, it is also evident that Marx is far from bringing his analysis of this to the point where it could be systematically presented. Marx, in this chapter, is clearly at a very preparatory stage of his investigation. He is still in the process of silting through the immediately apparent concrete evidence in order to abstract the starting point for his analysis. Hence we find the substantial part of the chapter - four of its five sections - devoted to extensive discussions of various prominent contemporary examples of economies made in the employment of constant capital, drawing into consideration all the social and technical details that such economies involve.

In the first section, where Marx is in the process of drawing out his general analysis of this question, we find that his line of argument is still very much at an embryonic stage. Marx here repeatedly takes up a particular point of departure for his analysis only to abandon it in favour of another after a few paragraphs. With each of these abortive attempts to find the correct starting point we can see Marx in the process of locating and delimiting the development of his analysis at this point in his exposition. Yet it is a process that is far from being finished; it is a process that still awaits the further sifting through of the immediately concrete material of the subsequent sections before it can be adequately organized and presented.

So why should this chapter remain in such a preparatory state? What were the difficulties that led Marx to pass over this chapter, and indeed the other chapters in this excursus, in bringing the material of Volume III towards the point of presentation? On closer inspection we find the answer to these questions in what we may term the underlying textual dispersion which is working against Marx's efforts to delimit and define his analysis at this point in his exposition, and which lies at the very margins of principal line of theoretical development To make what we mean by this a little clearer we shall briefly consider the various component parts from which we can see Marx constructing his analysis of the economies made in the employment of constant capital in the opening section of chapter 5.

Savings in the employment of constant capital may be divided into two types.

1. Firstly we have those economies that are internal to the individual

capital and which therefore confront the individual capitalist as being directly dependent on her own efforts as the manager of the production process. Such economies may be further subdivided into those made in the employment of fixed constant capital and those that are made in the employment of circulating constant capital. Let us consider each in turn.

1. The principal means for making economies in the employment of fixed capital, which Marx identifies in chapter 5, is through the extension of its use in any given period of time. As Marx observes, there exists a strong and readily apparent tendency in many branches of capitalist industry towards continuous, round the clock production. This drive for round the clock production is, as would be expected, a drive by the capitalists to maximize the rale of profit. But, as Marx is in the process of establishing, an increase in the rate of profit consequent upon the extension of the numbers of hours of production per day is not solely due, or even readily attributable to, the greater utilization of fixed capital. In fact we can see Marx identifying at least three such causes, only one of which could be easily seen as the result of the a greater economy in the use of fixed capital.

An extension in the hours of production per day may be simply an accompaniment to an extension in the working day of the labourer. Thus the increase in the rate of profit will be largely the result of the increase in the rate of surplus-value consequent on the greater production of absolute surplus-value. Yet this is not always the case. Even where there is a constant working day, and therefore little scope for increasing the production of absolute surplus-value, there is often still a drive towards round the clock production, even if this requires higher hourly wages for overtime and night time working. In such cases it is clear that the increase in the rate of profit cannot come from a simple increase in the rate of surplus-value.

This brings us to the second cause that Marx identifies. This being the increase that round the clock production allows in the overall turnover of capital. An increase in the number of hours of production per day will mean that capital will be able to turn over faster in any given period of time. With capital being turned over more times in any given period the number of times it will turnover in a year (n) will be greater and thus the annual rate of profit will be accordingly greater.

For instance, if production is extended from eight hours per day to twenty- four hours a day then what could be produced in three days can now be produced one day. Other things being equal, the number of turnovers will increase three-fold, thereby tripling the annual rate of profit. Obviously this is an important means of raising the annual rate of profit and a powerful incentive for the drive towards round the clock production; but it is not a cause that is necessarily attributable to an economy in the employment of fixed capital. (In fact it would seem that this cause of an increase of the

annual rate of profit properly belongs to the previous chapter, but because Marx had yet to write chapter 4, being at such a preparatory stage of his investigation of these points, it is carried over to the opening section of chapter 5).

The third cause that Marx is in the process of identifying, the one that is directly attributable to savings made in the employment of fixed capital, arises from the elasticity of the use-values that serve to make up a given value of fixed capital. As Marx observes, an extension in the number of hours of production per day will require a corresponding increase in the advance of circulating capital. More output per day will require more raw materials to be worked up into the finished product, more fuel and other auxiliary materials to facilitate this increased production, and of course more labour to produce the extra output. However, such things as the number of machines, buildings etc., which make up the advance of fixed capital, will remain the same. They will simply be used for more hours per day. Hence, insofar as fixed capital makes up a large proportion of the constant capital advanced, the increase in the variable capital that is advanced as a result of the extension of production will tend to be greater than that of the constant capital.

Let us consider a simple example. Suppose that for a particular individual capital the advance of variable capital (v) is SO and that of constant capital (c) is also 50, for each day of production. Further, suppose that of the value of constant capital, 40 is fixed capital (0 and only 10 is circulating capital (q). Given that the rate of surplus-value is 100 per cent and that therefore surplus- value (s) is equal to SO, the simple rate of profit is given as follows:

r = s/([v + q] + 0

So

r = 50/([50 + 40] + 10)

Hence:

r = 50/ 100 = 50%

Now let us suppose that production is extended from eight hours per day to 24 hours per day and that this requires a pro rata increase in the advance of circulating capital, whether variable or constant. Hence the daily advance of variable capital becomes 150, while the daily advance of circulating constant capital becomes 30. The amount of fixed capital, however, remains the same at 40. With the amount of surplus-value also tripling due to the three-fold increase in the daily production time, the rate of profit is given as follows:

r= 150/([150 + 30) + 40)

So, in this elementary example, while the (simple) rate of surplus-value remains unchanged at 100 per cent, the (simple) rate of profit rises from 50 per cent to 68 per cent. For the individual capitalist this increase in the rate of profit seems directly due to the increase in her utilization of fixed capital - although this increase in the utilization of fixed capital is merely a particular means to reduce the organic value composition of capital - and this example is, in the midst of the competitive battle for increased profit, one which would be instantly recognizable and operative.

But, as Marx comes to realize in the course of his investigation which appears in the opening section of chapter 5, the view that we have illustrated by this example is insufficient. As Marx comes to point out, the wear and tear of the means of production that make up the fixed capital advanced will in general depend not so much on their time of existence, but on the time that they are in use. The more hours a machine is used per day, for instance, the sooner it will wear out. Thus, with any extension in the daily hours of production, the value that must circulate to make up for the wear and tear of machinery will increase while the value that remains fixed in the production process will tend to fall.

The formula that would have to be considered is not simply the one used above:

r = s / ([v + q] + f)

but rather:

r = s / ([v + q + fq] + fx)

Such that:

F = fx + fq

where F is the total value advanced as fixed capital, fx is the value that remains fixed as fixed capital, and fq is the value circulated as the wear and tear of fixed capital.

So with the greater utilization of fixed capital comes greater wear and tear, which, in terms of the formula above, means that not only will the value of variable capital (v) and circulating constant capital (q) increase but also that part of the value of the fixed capital must be passed on to the value of the final product (fq). This added complication may serve to offset some of the rise in the rate of profit; but for Marx to pursue this point any further would have presupposed an analysis of the turnover of fixed capital (in order to understand the precise relationship of F to fx and fq in the above terms). But such an analysis properly belongs to Volume II as part of the larger analysis

of the turnover of constant capital, which is, as we have already noted, absent. So we find that the development of this point becomes blocked at this stage in Marx's investigation since it demands a reallocation of the material at hand between this point in Volume III and a reworked Volume II.

1. So we have seen how Marx's analysis of the economies in the employment of fixed capital becomes blocked because it presupposes an analysis of the turnover of fixed capital which while belonging to Volume II was absent there. So what about his analysis of the economies in the employment of circulating constant capital? As Marx observes, capitalists make great efforts to cut down on the waste of raw materials and auxiliary materials in the production process in order to reduce costs and increase their profits. It therefore appears to the capitalist that such efforts are equally productive of profit as those used to economize on labour. In fact the capitalist may come to view these efforts in themselves - that is, her own organization of production on the most economical basis - as the source of profit. Against this Marx points out that such improvements in the organization of production merely reflect an improvement in the productivity of labour which is only realized by the capitalist because the capitalist happens to own the means of production.

But for Marx to pursue this point any further would have obliged him to run ahead of himself in two ways. Firstly, the capitalist's claim to profit on the basis of her organization of production, as distinct from her advance of capital, is a question that presupposes an analysis of the division of profit into interest and profit-on-enterprise; an analysis that is not dealt with until Part IV of Volume III. Secondly, to show how the savings in the value of circulating constant capital reflect an increase in the productivity of social labour, which the individual capitalist does not recognize, presupposes an analysis of the relauon between value and price which is not dealt with until Part II of Volume III.

Let us consider this second point a little further since it is an important one. When the capitalist succeeds in making extra savings in the employment of circulating constant capital she will reap extra profits. But, as we shall see when we come to consider Part II of Volume III, these savings reduce the individual value of the capitalist's output since less value is preserved in the form of constant capital, and thus less value is passed on into the final product. However, the capitalist does not obtain the individual value for his product but the market value (a weighted average for that branch of industry which she is operating in). The savings the individual capitalist makes do not increase the amount of profit produced but allow the individual capitalist to capture surplus-value from other capitalists in the same branch of industry in the form of surplus-profil. This becomes clear once such savings become generalized across the branch of industry since then the market value will fall

towards that of the individual capitalist and her surplus-profits will tend to be eliminated. This fall in the market value reflects the growing social productivity of labour required directly or indirectly to produce that particular commodity.

So once more we find Marx's analysis at this stage blocked; but this time because it presupposes a development of theory that he has yet to make. This brings us to the second type of economys in the employment of constant capital which Marx is in the process of identifying and where he is to some extent on surer ground.

1. The second broad type of savings are those that are, for the most part, external to the individual capital and thus appear to the individual capitalist as being independent and even arbitrary factors in the determination of her rate of profit. There are two main interrelated forms of such external savings: economies of scale and technological advances in Department I industries which produce the means of production.
2. As Marx argues, economies of scale play a prominent role in the enormous development of the social productivity of labour which occurs within the capitalist mode of production. Yet, for the individual capitalist, economies of scale appear as simply a technical fact of production which has no connection with labour at all. Marx notes down examples of such a view in section 3 of this chapter where he considers various views recorded in the Reports of the Inspector of Factories concerning the economies of scale that had arisen in the generation and transmission of power. But as Marx remarks in the opening section of this chapter:

...the economy of production conditions [i.e. economies of scale] found in large-scale production is essentially due to the fact that these conditions prevail as conditions of social, or socially combined, labour, and therefore as social conditions of labour.

They are commonly consumed in the process of production by the aggregate labourer, instead of being consumed in small fractions by a mass of labourers operating disconnectedly or, at best, directly cooperating on a small scale....

This total economy, arising as it does from the concentration of means of production and their use en masse, imperatively requires, however, the accumulation and cooperation of labourers, i.e. a social combination of labour. Hence, it originates quite as much from the social nature of labour, just as surplus-value originates from the surplus-labour of the individual labourer considered singly.

Even the continual improvements, which are here possible and necessary, arc due solely to the social experience and observation ensured and made possible by production of aggregate labour

For the individual capitalist, who only confronts her own labourers as isolated individuals offering their own labour-power for sale - and for the individual worker for whom the social combination of labour appears as an alien power - this social content of economies of scale remains hidden by their appearance as an external and technically determined fact

1. The concealment of the growth in the social productivity of labour as an external and technical fact, which then endows constant capital with an apparent independence from labour, arises not only with economies of scale but also with the technological advance of those industries which produce the means of production. With such technological advances, which raise the productivity of labour in Department I, there emerges a tendency for the value of constant capital to fall since more means of production can be produced with a given socially necessary labour time. Yet all the individual capitalist sees is a fall in the relative price of her means of production; something that is completely independent of labour as far as she conceives it (i.e. the labour she employs) and something that is both arbitrary and independent of her own operations.

What is more, this concealment is not simply confined to the individual capitalist but extends to the individual labourer, as Marx himself remarks:

It scarcely needs to be mentioned, then, that as far as concerns the productivity of labour in one branch of industry as a lever for cheapening and improving the means of production in another, and thereby raising the rate of profit, the general interconnection of social labour affects the labourers as a matter alien to them, a matter that actually concerns the capitalist alone, since it is he who buys and appropriates these means of production. The fact that he buys the product of labourers from another branch of industry with the product of labourers in his own, and that he therefore disposes of the product of the labourers of another capitalist only by gratuitously appropriating that of his own, is a development that is fortunately concealed by the process of circulation etc.

(Capital III, p. 85)

But it may be asked: Why should the individual capitalist not recognize the cheapening of her constant capital as a product of the technological advance of other industries; an advance at least attributable to the labour employed in research, development and innovation? Furthermore, why should this cheapening appear as not only extraneous but also arbitrary?

The answer to this is that the decline in the value of constant capital as

result of technological advances in Department I industries is mediated. The individual capitalist does not see the immediate value of her constant capital but only its mediated cost-form, its price. The fluctuations of the prices of the means of production around their values, which may arise from a whole host of secondary factors unrelated to the state of technology, means that the individual capitalist can be content to view the advance of technology in Department I as simply one of many seemingly arbitrary factors that serve to alter the price of her means of production. Since the fluctuations in the prices of the means of production arise mostly from factors over which the individual capitalist has little or no control there is no incentive for her to discern or identify in any detail from whence they arise.

It is in pursuit of this point that Marx is lead, in chapter 6, to address the question of price fluctuations of the means of production (this subsequent chapter being duly entitled The effects of price fluctuations').

So, with our brief reconstruction of the possible analysis of the economies in the employment of constant capital, it can be seen that Marx faced important difficulties in developing and presenting his analysis of such matters at this point in his exposition. As we have seen, particularly in the case of those economies in the employment of constant capital that we have categorized as being 'internal' to the individual capital, Marx's line of argument demands not only a reworking of Volume II to include an analysis of the turnover of constant capital which appears to be absent there; it also presupposes theories of market versus individual values and the division of profit into interest and profit-on-enterprise, both of which can only be presented after the theory of the qualitative transformation of surplus-value into profit.

Yet while the line of argument that Marx is in the process of constructing in chapter 5 comes repeatedly to point away from itself towards other parts of Capital, this is not true of his line of argument as it extends into chapter 6. Here Marx comes to the point of going beyond the limits of Capital, as he stops to warn us in the opening paragraph of this chapter's second section:

The phenomena analysed in this chapter require for their full development the credit system and competition on the world- market, the latter being the basis and the vital element of capitalist production. These more definite forms of capitalist production can only be comprehensively presented, however, after the general nature of capital is understood. Furthermore they do not come within the scope of this work and belong to its eventual continuation. (Capital III, p. 110)

In fact, as we shall see, in the course of this chapter Marx comes to step

beyond these limits to tentatively pose the question of crisis.

1. *Chapter 6*

What then do we fmd in chapter 6? Again, as with the preceding chapters in this excursus, chapter 6 is evidendy in a preparatory stage of investigation. The whole chapter pivots on what would appear to be a preliminary point: that of the distinction between the appreciation/depreciation of capital on the one hand, and the de-up/release of capital on the other, a point that would perhaps have been more appropriately dealt with in the omitted analysis of the turnover of constant capital of Volume II. This point is raised and investigated, after Marx has made a few clarifying remarks in first of the three sections of chapter 6.

Marx sets out by making a quite clear and succinct distinction between these two sets of categories as follows:

The question is what we mean by release and tie-up of capital? Appreciation and depreciation are self-explanatory. All they mean is that a given capital increases or decreases in value as a result of certain general economic conditions... All they mean, therefore, is that the value of a capital invested in production rises or falls, irrespective of its self-expansion by virtue of the surplus-labour employed by it

By tie-up of capital we mean that certain portions of the total value of the product must be reconverted into elements of constant or variable capital if production is to proceed on the same scale. By release of capital we mean that a portion of the total value of the product which had to be reconverted into constant or variable up to a certain time, become disposable and superfluous, should production continue on the previous scale. (Capital III, p. 110)

So what is the importance for Marx of making such a distinction at this point in his investigation?

A rise or fall in the price of the means of production, or in wages for that matter, will have several distinct effects which must be separated out if we are to understand how they shape the perceptions of the individual capitalist who confronts them.

Firstly, a rise in the price of the means of production, for whatever reason, will have two effects for any capital subject to them:

i) a fall in the rate of profit on such capitals and

Both of these effects stem from the appreciation of capital (in this case constant capital) caused by such price rises in the means of production. If we assume, as we must at this stage of Marx's exposition, that prices reflect directly the underlying labour-values, this can then be seen from the following expressions:

Given that

W = s + v + c

and that

W\* = s + v + [c + Ac]

then

W+ = W + Ac

where W\* is the total value after the rise in value of constant capital, W is the total value of commodity before the this rise in value of constant capital, and Ac is the actual increase in the price/value of constant capital.

So we can see that the appreciation in the value of constant capital leads to a rise in the total value of the commodity produced and contrariwise a depreciation of constant capital due to a cheapening of the means of production (in which case Ac would be negative) leads to a fall in the total value or price of the commodity. But at the same time:

Given that

r = s/ (c + v)

and that

r\* = s/ (c + Ac + v)

Then if Ac > 0

r\* < r

and if Ac < 0 then

r\* > r

where r\* is the new rate of profit.

So an appreciation of capital brought about by a rise in the value of constant capital raises the value of the commodity which it produces but at the same time lowers the rate of profit made on the advance of that capital.

All this is perhaps a little obvious. However, there is a further effect that

emerges if we consider the reproduction of capital. As Marx points out, the value of a commodity is determined not so much by the labour incorporated in it in any single production cycle but by the socially necessary labour required for its reproduction. If, for example, there is a rise in the value of raw materials to produce a particular commodity then as soon as this increase occurs there is a rise in the value required to reproduce that commodity. This is so even if there are raw materials still in the process of production which were purchased at prices reflecting the old values of raw materials. The constant capital that such raw materials represent becomes revalued according to the labour required to replace these raw materials rather than the labour that was actually embodied in them. This revaluation of constant capital falls to the capitalist as a temporary windfall profit insofar as she is able to sell the commodities which she produces at the price reflecting their new value while having produced them with raw materials purchased at prices reflecting earlier values. (Of course the reverse is true with a depreciation of constant capital, or variable capital for that matter.)

This may be seen more clearly if we refer back to the formula for the selling price rewritten in terms of profit; that is:

n = p-c

Profits appear to the individual capitalist as simply the difference between the selling price (P) and the total costs (C). Hence if the selling price is able to rise due to a rise in the costs of raw materials, for instance, then the profit made with that part of output made with raw materials purchased at their old prices becomes:

n\* = p\* - c

where \* denotes the new levels of n and P.

In fact if all the new costs are to be passed on into the selling price then we have:

n\* =[ P + AC ] - C where AC is the increase in the total costs due to higher raw material prices. The rate of profit will then appear as simply:

r = n\*/c

The appreciation of the old values of constant capital being fully incorporated in these transient profits. In terms of the underlying value formula however this situation may be seen as follows:

r = [ s/( c + v) ] + Ac/(c + v)

Here the increase in profits, and thus the rate of profit, can be seen as arising from the addition of the appreciation in the value of constant capital (Ac), something that is secondary to the appropriation of surplus-value in the production process of the individual capitalist, and something that is transient. But from the capitalist's perspective, as represented by the formula for the selling price, this fortuitous windfall profit is just as important as the rest of her profits and is amassed with them without any particular distinction.

Such windfall profits, or losses that arise with depreciation of capital, particularly constant capital, serve further to distance profit from its origins in the exploitation of labour since they appear to arise, and then dissipate, from apparently quite fortuitous circumstances that seem to have little to do with labour at all. Yet the appreciation or depreciation of capital does not simply serve to distance profit from its origins in surplus-value and the exploitation of labour, but also from capital itself. With the appreciation of capital, capital seems to expand itself quite independently of its appropriation of labour in the production process. This becomes clearer if we examine the tie-up or release of capital that emerges with the appreciation or depreciation of all but the most newly invested capitals.

If, for example, the price of raw materials falls for a particular capitalist then she will find that they require less capital to maintain the same scale of production as before. Capital will be released and will be freely available to be either invested elsewhere in other branches of industry or reinvested in the original branch of industry to allow a greater scale of production. This release of capital appears to the capitalist initially as an expansion of her money-capital which has occurred independendy of the rate of surplus-value. As such, capita] is not seen as self-expanding value that arises from the expropriation of surplus-labour in production. The true nature, not only of profit but equally of capital, becomes denied in the mind of the individual capitalist.

So we can see the importance of making the disdncdon between the appreciation/depreciadon and the de-up/release of capital. It is a preliminary exercise which then allows Marx to unfold his analysis of how price/value fluctuadons affect the individual capitalist’s percepdons of profit and capital. But, as we have already noted, this brings him perilously close to the limits of his exposidon. Symptomadc of this is the uneasy confladon of value with price that we find throughout the text of chapter 6. In fact it should be noted

here that the expressions set out above which describe the appreciation of capital in both value and price terms are in themselves highly problematic at this point. But this tangential movement becomes even clearer when Marx briefly steps beyond these limits to consider the question of the cyclical crises that may arise between agricultural and manufacturing industries.

1. *Agriculture and crisis*

With his consideration of the release and tie-up of capital the pressing yet premature imperative for Marx to address the question of crisis erupts into his investigation (Forschung) which can be seen taking place in chapter 6. In fact we find that the entire concluding section of this chapter comes to be devoted to a detailed account, drawing on numerous sources and authorities, of the unfolding of the Cotton Crisis of 1861-5. From the account of this contemporary economic crisis Marx is able to tentatively put forward a particular theory for the periodic crises that may emerge between capitalist manufacturing industry and agriculture, a theory which we may take as a staging post towards what would have been Marx's general theory of crisis. To see how the how the question of the release and tie-up of capital served as a prelude for Marx's consideration of the question of crisis we must briefly summarize this particular theory of crisis which he puts forward at this point in his investigation.4

For Marx, agriculture was distinguished from much of manufacturing by two interrelated factors. FirsUy, the fact that agricultural production requires relatively long production periods means that it is unable to respond to changes in demand without violent fluctuations in the price of its output. Secondly, the fact that agriculture tends to be particularly resistant to the introduction of improved capitalist methods of production means that the productivity of the labour that it employs tends to fall behind that of manufacturing industries.

With productivity of labour in agriculture lagging behind that in manufacturing there will emerge a tendency for the growth in manufacturing industries, and with this its demand for agriculturally produced raw materials, to outstrip the growth of agricultural production, and thus the supply of agriculturally produced raw materials. As a result a point will be reached when the shortage of agricultural products will cause the relative prices of such products to rise. What is more, due to the long production periods characteristic of agriculture, such price rises will not only be violent but prolonged.

With the large and prolonged rise in the relative price of agriculturally produced raw materials the rate of profit in manufacturing industry will be cut, but, perhaps more importantly, a large slice of capital will become tied-up

in merely maintaining the existing scale of production. Thus not only will the incentive for fresh investment be diminished but also the means for such investment will be dramatically reduced. As a result the growth in the manufacturing industries will grind to halt and the demand for raw materials will slump.

Yet, just as this occurs, the increase in agricultural products stimulated by their earlier dramatic rise in price will be coming on to the market. With falling demand and rising supply of agriculturally produced raw materials the prices of such products will now plummet. Such falling prices of raw materials will then serve to boost profits in the manufacturing industries and at the same time cause an enormous release of capital which had been previously advanced to purchase these raw materials. Hence both the incentive and the means for fresh manufacturing investment will be restored and the conditions for the next cycle and crisis would be established.

As can be seen the tie-up and release of capital plays a central role in explaining the dynamics of the periodic crises which may emerge with the articulation of capitalist manufacturing industry and capitalist agriculture. In this particular theory of crisis these twin categories, alongside the rate of profit, act as the regulating mechanism in the accumulation of capital. And this was important for Marx's investigations into the theory of crisis since, as we shall see later, Marx needed to show, against Ricardo, how the accumulation of capital was not simply dependent on the rate of profit. Furthermore, the tie-up and release of capital brings with it, albeit implicitly, the whole question of rupture in the articulation of production with exchange and the preservation and devalorization of value and capital which, as we shall see, would have been essential elements in any general theory of crisis that Marx may have constructed.

But while the tie-up/release of capital may be central to Marx's theory of the periodic crises that emerge between manufacturing and agriculture, and while they may be a vital element in his preliminary investigations into a general theory of crisis, they are categories which are, at best, marginal to the theory of the qualitative transformation of surplus-value into profit. By raising the question of crisis, by abrogating the unity of the articulation of production with exchange upon which Marx's theoretical development is based at this point, Marx steps beyond the limits of his exposition and in doing so points beyond the principal line of theoretical development of Capital itself.

We have dealt at some length on this excursus within Part I of Volume III since it is here that we can see most clearly Marx at work in delimiting his theoretical line of development As we have seen, most of the problems Marx faced in bringing this excursus to the point of presentation were dependent on the reallocation of its material to other parts of Capital and it would seem

reasonable to suppose that if he had reached the point of presenting this part of Volume III it would have consisted of little more than a few concluding remarks to his main exposition of the qualitative transformation of surplus- value into profit. But with the emergence of the question of crisis we find this excursus pointing beyond the limits of Capital and its principal line of theoretical development. It is a question that, as we shall see, arises with ever greater force on the margins of Marx's exposition in Volume III to disrupt it as it proceeds towards its conclusion. All of which will become clearer as we proceed.

1. *The quantitative transformation of surplus-value into profit*

Throughout Part I it was assumed that the mass of surplus-value produced by an individual capital was equal to the mass of profit it realized in exchange. Now, in Part II, this quantitative identity between surplus-value and profit is dropped as Marx moves away from the singularity of the individual capital to take up the standpoint of the multiplicity of many individual capitals. With the severing of this quantitative identity between the surplus-value and the profit of the individual capital, the perspective that takes profit as being both external and arbitrary comes into its own - since we have now entered the contingent world of capitalist competition and exchange. A world of war of all against all in which profit is grasped by fair means or foul. A world in which the inner laws of capital and value appear to be denied. Let us recall what Marx said about these matters in relation to value and price in Volume I:

Magnitude of value expresses a relation of social production, it is the connexion that necessarily exists between a certain article and the portion of the total labour-time of society required to produce it.

As soon as magnitude of value is converted into price, the above necessary relation takes shape of a more or less accidental exchange-ratio between a single commodity and another, the money-commodity. (Capital I, p. 102)

What is true of the price of the commodity is also true of that part of the price that represents profit.

However, in the course of Part II, Marx seeks to show how, through what we shall term the convergent tendency of capitalist competition, the inner laws of capital and value come to assert themselves over the arbitrary contingency of exchange and circulation, so that the multiplicity of divergent individual capitals becomes subsumed within the singularity of the totality of social capital. Through this convergent tendency of competition, prices are shown to be determined by values, and profits are shown to be determined

through the redistribution of surplus-value.

So what is this convergent tendency of capitalist competition? How does it function? Marx identifies two moments within this tendency, each of which we shall now consider in turn.

1. *The moment of intra-branch competition*

An individual capital first confronts other individual capitals in its own branch of industry. Competition between capitals within the same branch of industry will tend to place pressure on each of the capitals operating in that branch to adopt the most profitable and efficient techniques of production. Failure to comply with such competitive pressures will mean that an individual capital will find itself undercut and eventually forced into bankruptcy. Hence, with all capitals within a particular branch of industry being driven towards the adoption of similar techniques of production, all capitals within that branch will tend to have a similar value composition of capital. This allows us to compare capitals within a particular branch in terms of their relative labour- values, rather than in terms of prices.

Although each individual capital is driven to adopt the standard technique of production of its own branch of industry, the labour embodied in a unit of the commodity produced may still vary significantly across the different individual capitals operating in that branch of industry. Some capitals may be more favourably placed with respect to markets or sources of power and raw materials, or else they may be able better to utilize the techniques of production through more efficient organization or labour discipline etc. Consequently there will be a range of individual values for the commodities produced by a particular branch of industry reflecting the particular labour times embodied in them by each of the individual capitals.

Now, if the total mass of commodities produced by the branch of industry is sufficient to meet the total social demand for them at some price reflecting a value within the range of individual values, then those capitals that are more efficient or more favourably placed will, on entering the market with their produce, find that the individual values of their commodities which they have to sell is lower than that of most of their competitors. If they seek to sell their commodities at a price reflecting the lower individual value of their commodities then they will attract an excess of demand for them since their commodities will be the cheapest on the market. Those individual capitals which are inefficient or less favourably placed, and which therefore bring to the market commodities with higher than average individual values, will find that if they attempt to sell their commodities at prices reflecting their individual values then they will be overpriced, and they will consequently face deficiency in demand.

In such a situation those seeking to sell commodities with low individual values will raise the prices to take advantage of their excess demand; while those with high individual values will be obliged to cut their prices in order to sell their commodities. As a result prices will converge towards a single price at which all commodides can be sold and the market cleared. This price will reflect what Marx terms the market value. So, with the convergent tendencies of intra-branch compeddon, the various and divergent individual values produced by the muldplicity of individual capitals within a particular branch of industry are reduced to a single market value.

As a result of this formadon of a common market value, capitals with individual values lower than the market value will sell their commodides at prices above that reflecting their value. They will therefore obtain more profit than that warranted by the surplus-value they had expropriated in the producdon process; that is, they will earn surplus-proflts. Such surplus- profits will be at the expense of those capitals who, on selling at a price reflecting the market value, sell their commodides below their individual values. These less fortunate or less efficient capitals will obtain less profit than that warranted by the surplus-value that they have produced. Their surplus- value will be, in effect, transferred to their more fortunate or efficient competitors.

So, with the convergent tendencies of intra-branch compeddon and the consequent totalization of individual values into a single market value, the surplus-value produced by each individual capital in the sphere of production becomes redistributed in the act of exchange. Here we have the first quantitative distinction between the surplus-value that is produced by an individual capital and the amount of profit that it realizes. It is only in the rather special case of an individual capital producing a commodity with an individual value equal to its market value that profit will equal surplus-value.

1. *The moment of inter-branch competition*

An individual capital is not simply in competition with other capitals in its own branch of industry; it is also ultimately in competition with all other capitals since capital can always be withdrawn from one line of business and invested in another - given sufficient time, of course. In fact it is through inter-branch competition that social labour becomes allocated between the various branches of industry and which, in so doing, ensures that the social demand for a particular commodity is in accordance with its supply (which is in fact a presupposition of our analysis of intra-branch competition and the formation of market values). With inter-branch competition we find that market values become transformed into production prices, and with this surplus-value becomes redistributed as profit between branches of industry.

not merely within them, so that we find a further quantitative distinction between surplus-value and profit.

While capitals within a particular branch of industry will be obliged to adopt similar techniques of production and will therefore tend to have the same value composition of capital, this will not be the case for capitals in different branches of industry. Since the different kinds of commodities that are produced by the various branches of industry will require vastly different techniques for their production, the value composition of capital will necessarily vary greatly between different industries.

But this variation in the value composition of capital between different branches of industry means that, given a constant and uniform rate of surplus- value across all industries, if commodities are to be sold at their market values, then profit rates must also vary between different branches of industry. In those branches of industry that are labour intensive, and which therefore have low value compositions of capital, profits rates will be high; while in those industries that are 'capital' intensive, and which consequently have high value compositions of capital, profit rates will be low.

However, competition drives capitals to seek out the most profitable areas for investment. Capital will be withdrawn from those industries with low profit rates and reinvested in those with high profit rates. Hence, if capitalists sought to sell at market values, capital would be transferred from those industries with a high value composition of capital to those with a low value composition of capital. As a result, in those industries with a high value composition of capital the supply of commodities would diminish and market prices would tend rise above the market values thereby raising the rates of profit in these industries; while in those industries with a low value composition of capital the supply of commodities would increase, depressing market prices below market values and thereby lowering these industries' rates of profit. Thus the rates of profits of the different types of industry will tend to converge towards a uniform general rate of profit at which there will be no further incentive to transfer capital from one branch of industry to another.

With a uniform general rate of profit commodities will no longer sell at their market values but at, what Marx terms, their production prices. These production prices will systematically deviate from market values according to the relative value composition of capital in each industry. The production price being higher than market value in those industries with a high value composition of capital; and below market value in those with a low value composition of capital. It will be only in those odd industries that happen to coincide with the average composition of capital that market value will be equal to the production price.

With actual market prices regulated by production prices, rather than

market values, there will be effected, through the process of the exchange and circulation of commodities, a net transfer of surplus-value from those industries with a low value composition of capital to those with a high value composition of capital. Thus profits realized in those industries with a high value composition of capital will be greater than the surplus-value which they themselves produced; while for those industries with a low value composition of capital the reverse will be the case. Hence, inter-branch competition leads to a further quantitative divergence between surplus-value and profit. The only capitals for which the profit realized will directly correspond in magnitude to the surplus-value extracted in production will be those few that not only produce under the average conditions for their own particular industry but which also have an average value composition of capital. So in general, the profit a capital realizes will not equal the surplus-value that it has produced.

Thus for the individual capitalist all trace of the origins of price in labour- values, and thus of profit in surplus-value, is completely obscured with the transformation of values into production prices through the heat of capitalist competition in the sphere of exchange and circulation. As Marx himself comments:

We saw in Part I that surplus-value and profit are identical from the standpoint of their mass. But the rate of profit is from the very outset distinct from the rate of surplus-value, which appears at first sight as merely a different form of calculating. But at the same time this serves, also from the outset, to obscure and mystify the actual origin of surplus-value, since the rate of profit can rise or fall while the rate of surplus-value remains the same, and vice versa, and since the capitalist is in practice solely interested in the rate of profit. Yet there was difference of magnitude only between the rate of surplus- value and the rate of profit and not between the surplus-value itself and profit. Since in the rate of profit the surplus-value is calculated in relation to the total capital and the latter is taken as its standard of measurement, the surplus-value itself appears to originate from the total capital, uniformly derived from all its parts, so that the organic difference between constant and variable capital is obliterated in the conception of profit. Disguised as profit, surplus- value actually denies its origin, loses its character, and becomes unrecognisable. (Capital III, p. 167)

But now, with the quantitative distinction between surplus-value and profit: The actual difference of magnitude between profit and surplus-value - not merely between the rate of profit and the rate of surplus-value

- in the various spheres of production now completely conceals the true nature and origin of profit not only from the capitalist, who has a special interest in deceiving himself on this score, but also from the labourer. (Capital III, p. 168)

Furthermore, the perspective that takes profit as something external and accidental now becomes further consolidated; as Marx proceeds to argue:

...since the mere transformation of surplus-value into profit distinguishes the portion of the value of a commodity forming the profit from the portion of the value of a commodity forming its cost-price, it is natural that the conception of value should elude the capitalist at this juncture, for he does not see the total labour put into the commodity, but only that portion of the total labour for which he has paid in the shape of means of production, be they living or not, so that his profit appears to him as something outside the immanent value of the commodity. Now this idea is fully confirmed, fortified and ossified in that, from the standpoint of his own particular sphere of production, the profit added to the cost- price is not actually determined by the limits of the formation of value within his own sphere, but through completely outside influences. (Capital in, p. 168)

This confirmation of the apparent arbitrariness of profit, of its origins in the contingencies of circulation and exchange, becomes systematized in the theories of supply and demand of the vulgar economists. For such economists the price of a commodity, and thus any incidental profit which may be made on its sale, arises out of the interactions of supply and demand. Against this view Marx argues that supply and demand do not determine prices as such but rather the deviation of actual market prices from production prices. In fact the interaction of supply and demand is only a mediation through which value, modified into the form of production prices, comes to regulate market prices and the exchange and circulation of commodities.

If, for example, demand shifts upwards for a particular commodity, then this increase in demand will be choked off at first by an increase in the market price for that commodity so that its market price rises above its production price. This will increase profits for those capitalists producing such commodities and raise their rate of profit above the average for the economy as a whole. Capital will then be attracted into this branch of industry by this higher than average rate of profit bringing with it an increase in its supply of commodities. This increase in supply will then tend to reduce the market

price towards the production price and so profits will diminish, and the rale of profit will fall back towards the average.

Thus the contingencies of supply and demand only cause the deviations of market prices from production prices, and hence individual profit rates from the general or average rate of profit; they do not, as the vulgar economists insist, determine prices or profits as such. Yet the vulgar economist, trapped within the perspective of the individual capitalist, is unable to see the regulation of price and profit by the inner laws of capitalist production. These can only be grasped by taking the perspective of capital as a social entity, in which the relations of exchange which appear as contingent and external to the individual capitalist become recognized as the internal metabolism of social capital as a whole. This becomes most clearly expressed in terms of the formation of the general rate of profit which emerges through the convergent tendencies of capitalist competition.

In the competitive battle between the multiplicity of individual capitals each capital seeks to maximize its own rate of profit. Yet in part, the efforts of each individual capital to obtain more profits than its rivals will tend to cancel out. To that degree there emerges a tendency for individual profit rates to converge towards a common uniform rate of profit. As we have already noted, within a particular sphere of production each capital will be driven to adopt the most advanced and profitable techniques of production; while the competitive transfer of capital between different industries will tend to iron out the divergence in profit rates which arise with differing value compositions of capital.

Of course there are important obstacles and counter-tendencies to that of the convergence of profit rates. As we have already noted, within a particular industry certain capitals will enjoy a competitive advantage over other capitals in that industry due to either their more efficient organization or to their more fortuitous circumstances. Furthermore, in the pursuit of greater profits capitals will seek to advance their techniques of production. Those who succeed in doing so first will consequently be able to gain further competitive advantages and thereby greater surplus-profits over their rivals. Thus the tendency towards a single technique of production within an industry is repeatedly negated by the attempts of the more advanced capitals to go beyond this standard technique of production in the search for ever greater surplus-profits.

At the same time, the convergence of profit rates between industries that emerges with inter-branch competition also faces obstacles due to the interruptions that may emerge with the free flow of capital in and out of particular industries. For example, capital may be inhibited from entering a particular industry due the existence of a monopoly in that industry. Altemauvely capital may find it difficult to leave a particular industry due to it

being locked in the form fixed capital.

Consequendy there is never actually a uniform rate of profit for all individual capitals or even across the average profit rates for all branches of industry. However, out of this contradictory movement between the tendency for profit rates to converge and the obstacles and counter­tendencies that it faces, which arise out of the moments of intra- and inter­branch competition, there emerges the general rate of profit.

Given that the total magnitude of prices is equal to the total magnitude of value, and the total surplus-value produced is equal to the total distributed through exchange as profit, Marx is able to show that the general rate of profit (R) is determined by the total surplus-value produced by all capitals (Is) divided by the total variable and constant capital advanced (Iv and Ic); that is:

R = Is/ (Iv + Ic)

Hence the general rate of profit, the regulator of prices and profits, becomes defined and determined in value terms. The apparendy arbitrary and contingent relations of exchange are hence shown to be governed by the underlying value relations of production.5

What is more, the general rate of profit stands forth as the social measure of the individual capital. With a rate of profit equal to the general rate of profit, an individual capital comes to realize a profit in the same proportion to itself as the total social surplus-value produced and realized to the total social capital that is advanced. Hence, if, for example, an individual capital advances a thousandth of all capital advanced then it will realize, at the general rate of profit, a thousandth of the total surplus-value produced as profit. Here the individual capital emerges as no more nor less than a particular part, among many other particular parts, of the totality of social capital (and likewise the capitalist appears as a particular member of the capitalist class). The profit it realizes is now no longer external and arbitrary, but dependent on the relation of the individual capital to social capital as a whole. The individual capital therefore now stands revealed as merely a particular part of the total social process of the production and distribution of surplus-value.

If an individual capital gains a rate of profit higher than the general rate of profit it can only do so because another capital obtains a rate of profit less than the general rate of profit. Those individual capitals whose rates of profit fall below the general rate of profit are faced with the prospect of eventual extinction if their predicament persists. It is with reference to the general rate of profit, the social measure of capital as self-expanding value, that the individual capital is disciplined to act as a particular expression of capital-in-

*general.*

So, in Part II, Marx comes to show how the dialectic of capital constitutes its unity as the singularity of the total social capital through the oppositions and diversity of the multiplicity of individual capitals in competition. He shows how the unity of value with price and surplus-value with profit, having been lost at the level of the individual capital, is reconstituted at the level of the total social capital.

But this unity is merely provisional. Marx is only able unequivocally to establish such unity by emphasizing the convergent tendency of capitalist competition and abstracting from all its obstacles and counter-tendencies which serve to break up this provisional unity of the dialectic of capital. This process of abstraction with which Marx brings out the final results of the convergent tendency of capitalist competition is conducted through several interrelated sets of assumptions. These sets of assumptions are ones which Marx has maintained throughout his principal line of theoretical development in all three volumes of Capital in order to bring out the unity within the dialectic of capital, but which now reach their most explicit, and perhaps most critical, significance. Let us examine them.

1. The assumption of a constant and uniform rate of surplus-value. The assumption of a constant rate of surplus-value is one that Marx explicidy maintains from Volume I onwards. It is with this assumption that Marx consolidated the first part of his provisional closure by abstracting from all effects of class struggle. With the rate of surplus-value held constant, labour can safely be taken to be subsumed within capital and the objective movements of capital can be laid bare without interruption.

Now, with the multiplicity of individual capitals, this assumption must further unfold to produce the accompanying assumption of a uniform rate of surplus-value across all individual capitals. This assumption greatly simplifies Marx's exposition of the formation of the general rate of profit and the transformation of market values into production prices, since he need only consider the differences between individual capitals in terms their varying value compositions of capital, rather than having to take into consideration variations in the rates of surplus-value at one and the same time. But this assumption does not merely simplify Marx's exposition of these points. By assuming a uniform rate of surplus-value, so that each capital exploits labour to the same degree, Marx takes each individual capital from the very start as implicitly acting as capital-in-general to the same degree as any other individual capital. In this way Marx can clearly show the process through which each individual capital emerges explicitly as a particular expression of capital-in-general. But in doing so he has to foreclose the actions of class struggle that may both constrain and intemipi this process.

Wilh the eruption of class struggle not only will the assumption of a constant rale of surplus-value be undermined but also that of a uniform rate of surplus-value across all branches of industry. Class struggle will mean that the rate of surplus-value will be continually contested, and thereby subject to alteration, within all individual capitals. But class struggle does not develop evenly. In some industries the balance of class forces may tilt one way, while in another it may tilt in the opposite direction. There can never therefore be an actual uniform and constant rate of profit; this can only ever be a provisional set of assumptions.

However, the relaxation of such assumptions lies beyond the ambit of Capital. It perhaps belongs to what would have originally been part of the book on wage-labour. Yet in chapter 11, and here and there in subsequent chapters, Marx may be seen to relax his assumption of the constancy of the rate of surplus-value, although not its uniformity, by, in this case, considering the effect on prices of a general rise in the general level of wages. But, as we shall now see, this relaxation is strictly limited and merely supplementary to Marx's principal line of theoretical development at this point. It does not go so far as to allow an analysis of class struggle since, like the variations in the rate of exploitation presented in his theory of the production of relative surplus-value in Volume 1, it is always presumes a given and constant mass of use-values that consitute the means of subsistence of the working class. It thereby maintains the closing off of the insurrection of working class use- value against the dialectic of capital and value. It also, by retaining the assumption of uniformity of the rate of exploitation, maintains Marx's emphasis on the unity of capital - both to itself and against labour.

Let us then briefly consider the relaxation of the constancy of the rate of surplus-value which we find in chapter 11 a little more closely:

As we have noted earlier, Ricardo's labour theory of value foundered on the question of the effect of a general rise in wages on the general level of prices. Because Ricardo took the price of a commodity as being determined immediately by the labour embodied in its production, which was then divided up and distributed as profit, rent and wages in the process of exchange, he was led to the conclusion that a rise in wages would merely alter the distribution of the component parts of the value of the commodity; rising wages could not increase its value or price. Hence a general rise in wages would not raise prices but would instead be at the expense of profits. But, as Ricardo himself recognized, a general rise in wages would affect labour intensive industries to a greater degree than those that were capital intensive. In fact, in labour intensive industries prices would have to rise relative to those of capital intensive industries if capitalists were to obtain the general rate of profit, which would then imply an increase in the value of the commodities produced by such industries independent of the value embodied

in them.

This breach in Ricardo's labour theory of value, which arose due to his failure adequately to distinguish the production of value from its distribution through exchange, and thus the mediation between value and its price-form, opened the way for the critics of a labour theory of value. What is more, it stimulated both bourgeois economists and many followers of Proudhon - the most notable being Weston as we have seen - to suggest the futility of industrial class struggle on the grounds that higher wages could only mean higher prices.

Having constructed his own labour theory of value, and shown how value and surplus-value regulate prices and profits, Marx, under the political imperative to address such arguments against industrial class struggle, both from within and outside the workers' movement, was obliged to reconsider his labour theory of value in relation to the failings of Ricardo and show how, although a general rise in wages will lead to alterations in the relative prices of commodities, it will at the same time be at the expense of the general rate of profit, rather than individual profit rates as such. But as Marx himself makes clear at the end of this short chapter, this point is secondary at this juncture in his exposition:

The question merely was, how a general rise or fall in wages affect the assumed prices of production of commodities. This is but a very secondary question compared with other important points analysed in this Part. But it is the only relevant question treated by Ricardo, and, as we shall see, he treated it one-sidedly and unsatisfactorily. (Capital III, p. 204)

Yet Marx's digression here is still highly restricted since he does not go as far as asking from whence the rise in wages comes from, and whether it is due to a rise in the minimum level of subsistence of the working class or as a result of class struggle. Marx is still able to maintain the implicit assumption of the value of labour-power as being more or less a physiological minimum as he had done since Volume I.

1. The realization of all embodied labour as value. Marx implicitly assumes that all the private and disassociated labour employed by individual capitals is realized and validated as social labour; that is, all labour takes the form of value. Or at least, Marx only considers that labour (potential value) which Ls actualized as value.6 This assumption, which was imposed in Part I of Volume I and sustained throughout Capital, now emerges explicidy as a provisional point of closure within Marx's exposition. This becomes most evident with Marx's analysis of market value.

As wc have seen, Marx is obliged to assume that the social division of labour is such that the mass of commodities produced in a particular branch of industry is sufficient to satisfy the social demand for such commodities at some price within the range of individual values which are formed within that branch of industry. With such an assumption all individual capitals will be able to sell all the commodities which they produce and therefore all the labour embodied in their commodities become realized as value in the money- form of prices. Further, all the surplus-labour extracted in that branch of industry becomes realized as surplus-value in the money-form of profit.

Now let us consider the case of an industry where the market price equals market value (taking the industry in isolation from all other industries). In this case, as we have seen, those capitals which have lower than average amounts of labour embodied in their commodities, and which therefore have low individual values, will make surplus-proflts at the expense of the surplus- value produced by those capitals that embody higher than average labour in their commodities. Hence, ignoring the transfer of surplus-value owing to differences in the value composition of capital between industries, the total surplus-labour extracted in production equals the total surplus-value realized as profit for the industry as a whole.

Now let us take the example of an industry in which the market price is below the market value but which is still within the range of individual values. In this case those capitals with low individual values will find that they cannot push prices as high as in the previously case if they are to sell their commodities. They therefore suffer a fall in their surplus-profits. Equally those with high individual values will be obliged to cut the prices of their commodities further below their intrinsic values in order to sell them, and thus their profits will fall even further. The surplus-profits made by the more efficient or better placed capitals now no longer cancel out the deficient profits made by their less efficient or less fortunate competitors. Yet still the total surplus labour produced in this industry is realized as profit. It is only because there is a net transfer of surplus-value out of this industry to other industries, over and above that required to iron out differences in the value compositions of capital, that these other industries can consequently obtain rates of profit above the general rate of profit.

Of course the reverse is the case if the market price is above the market value, but still within the range of individual values; in this case there will be a net transfer of surplus-value into the branch of industry in question. Hence all the surplus-labour extracted realizes its potential as surplus-value; all that the deviation of market prices does is to alter the distribution of the realized surplus-value as profit between different branches of industry. Thus for Marx at this point:

Total surplus labour = Total surplus-value = Total profits

Marx's principal point is that value, and hence surplus-value, is produced in the sphere of production and then distributed in the sphere of exchange. So that the total price realized in exchanged must equal the total value produced from production and consequendy the total profit realized in exchange must also equal the total surplus-value extracted in production. This separation of production and exchange is made far more easier with the assumption that all labour realizes its potential as value and also that all surplus-labour is realized as surplus-value. Thus the first equalities outlined above are presumed in order to underline and make clear the second set of identities.

But such equalities do not necessarily hold. In fact we may say that in general:

Total labour embodied / Total value = Total price

so that:

Total surplus labour / Total surplus-value = Total profits

With the social division of labour unplanned not all of the disassociated labour embodied in commodities within the process of capitalist production will be realized as being abstract social labour by taking the value-form. That is, not all potential value will become actual value. This can be seen if we examine the relation of market price to market value a little further.

Let us consider the case where there has been, for some reason, a large influx of capital into a particular industry such that the market price required to clear the market of the commodities supplied lies below those prices corresponding to the range of individual values of the capitals operating in that industry. In such circumstances, either intra-branch competition will force the actual market price down to a point where even the most efficient, or most favourably placed, capital will be selling at a price below that corresponding to the individual value of its commodities, or else the market price will be held up but commodities will remain unsold.

If commodities remain unsold it is obvious that the labour embodied in them fails to become validated as social labour. The value advanced to produce them consequently becomes devabrized. But such devalorization equally occurs if the market price is driven down so that all commodities that

were produced are sold, albeit at a loss. With such an outcome, rather than those commodities that remain unsold being completely devalorized, all the commodities on being sold become partly devalorized to the degree that the market price is below that price corresponding to the lowest individual value.

In the previous examples, in which the market clearing price was within the range of prices corresponding to individual values, the deviation of market price from market value merely meant that labour was valorized at either a premium or a discount, so that a given amount of surplus labour - as surplus- value - corresponded to more or less profit. Now, insofar as labour is not valorized, surplus labour cannot become surplus-value and therefore can not enter the process of redistribution as profit nor the subsequent process of capitalization and accumulation. It is lost! This loss implies both a destruction of capital and a rupture in its movement. But Marx, who at this stage is only concerned with emphasizing and delineating the unity of capital, cannot consider such questions, and so closes them off by provisionally assuming that all labour is validated as value (that is, his value theory remains attenuated as a quasi-embodied labour theory of value). Marx is not specifically concerned with market prices as such at this stage; but he is concerned with market prices insofar as they serve a part in his analysis of the formation of production prices and the general rate of profit.

This has had important implications for those who have sought to set out a Marxian theory of price. A full Marxian theory of price would have to show the transformation of values into market prices as follows:

Individual ==> Market ==> Production ==> Market Value Value Price Price

Yet while Marx distinguishes market price from both market value and production price, his analysis is obliged to stop short at the transformation of market values into production prices. This is, as we have seen, necessary and sufficient for Marx's principal task at this point where he seeks to show how, through the transformation of values into production prices and the consequent formation of the general rate of profit, surplus-value is quantitatively transformed into profit; but it is itself insufficient for a theory of price. Such a theory can only be fully constructed once the process of valorization, considered here in Capital, is placed in relation to the converse process of devalorization. The failure to recognize this has all too easily led many commentators to misinterpret Part II of Volume III as a general equilibrium theory of price formation and thereby to reduce Marx to a classical general equilibrium theorist, which undoubtedly he is not!

We shall return to this in more detail when we consider how the closure in Marx has been translated into a closure within Marxism in our concluding

chapter; but here we must draw out one more particular point which concerns what we may call the assumption of the synchronicity of reproduction.

1. The synchronicity of reproduction. As we shall see, much has been made of Marx's 'error' in failing to transform input values into prices in his numerical schemas for the transformation of values into production prices, and this has led to the perennial controversy surrounding the so-called transformation problem since the beginning of this century. We need not examine this controversy in too much detail here, but in that it reflects Marx's mode of abstraction it is perhaps instructive in delineating his line of theoretical development at this point in Capital.

In his numerical schemas with which he illustrates the transformation of the values of capitals with varying value compositions of capital into divergent production prices, Marx omits to transform the inputs of these capitals into production prices. Thus on the one side of the equation we have values, on the other prices. But in reality capitalists do not buy thier inputs at prices corresponding to labour-values but at prices corresponding to production prices. These numerical schemas are therefore merely a first approximation. What is the importance of such an omission?

For many schooled in orthodox economic theory this is a serious omission. Consequently there have been numerous attempts to correct this 'error' by marrying these schemas of the transformation of values into production prices, which we find here in Volume III, with those concerning reproduction that are to be found in Volume II. This shotgun wedding has been undertaken with scant regard to the methodological context within which these two distinct sets of schemas were presented, and this, as we shall investigate further in our concluding chapter, has had important implications for the understanding of Marx and Capital.

If, as many have supposed in 'rectifying' this 'error', Marx was, at this point in Volume III, concerned with developing a theory of price, then indeed the failure to transform input values into production costs would have been a serious oversight. However, as we have already argued, Marx at this point in his exposition is primarily concerned with revealing the quantitative transformation of surplus-value into profit. This is a necessary step if he Is then to show subsequendy in Volume III how, as gross profit, surplus-value then further divides into profit-on-enterprise, interest and rent, which together comprise the distributional forms of revenue for the principal propertied classes.

It is true that, in order to show how the profits appropriated by individual capitals diverge quantitatively from the surplus-value that they expropriate, Marx has to relax the provisional identity of value and price. But only insofar as value becomes modified as production price; that is, only insofar as it can

be shown that the convergent tendencies of the competition between these individual capitals reconstitute their unity as particular expressions of social capital as a whole through the formation of the general rate of profit. Marx is still concerned to emphasize capital as a unity, and is therefore still confined within his quasi-embodied labour theory of value.

Indeed, while price is now allowed to deviate quantitatively from value, value is still equated with embodied labour. But such an equality not only implies that all embodied labour becomes validated as value, but equally that all value can command embodied labour. It presupposes the unity of production and exchange as the unity of reproduction. Within such unity past, present and future labour are of equal value; they become interchangeable and homogeneous. We have an eternal circle of reproduction in which the relations of value and labour appear as if they were purely synchronic relations; as if they all occurred during the same period. With this eternal circle of reproduction all questions of the possibility of the failure of embodied labour to become value, and indeed of value to command new and old labour - and thus all questions of rupture and crisis - become banished. At least provisionally.

This is obviously necessary if Marx is to show that value and surplus-value are produced in production and then merely redistributed in exchange, since any questions concerning the loss or destruction of value would only complicate the matter. But for a theory of market price it would have been vital to stress both the convergent and the divergent tendencies of capitalist competition. That is, to show how labour may not become value, and how value may not be able to command labour, and hence how capital may become devalorized from one period to the next.

The failure to transform input values is merely symptomatic of the provisional assumption of synchronicity which closes off these diachronic considerations. Yet, in 'rectifying' Marx, such diachronic considerations, which point beyond his provisional emphasis on the unity of reproduction and his adherence to a quasi-embodied labour theory of value, are for the most part ignored. As a consequence Marx’s reduction to general equilibrium economists is made complete.

However, this provisional assumption of synchronicity also has important implications now that we move on to consider his famous theory of the tendency for the rate of profit to fall.

1. *The tendency for the rate of profit to fall*

Having examined both the qualitative and quantitative transformation of surplus-value into profit in Parts 1 and II, and shown how such transformations serve to conceal the essential relations of capitalist

production from both the capitalist and the worker, Marx draws near to close of his theory of profit as such. Marx is at the point where he may proceed to consider the further transformation of surplus-value into the more specific forms of interest and rent. But we find Marx in Part III digressing somewhat to consider an issue that had been central to classical political economy - and one that was vital for a communist perspective on capitalism - the question of the tendency for the general rate of profit to fall.

From at least Adam Smith onwards classical political economists had been convinced that there was a long term tendency for the general rale of profit to fall. Since the capitalist economy was based on production for profit, the prospect of the eventual elimination of profit as the rate of profit fell to zero raised the question of the ultimate limits of the capitalist mode of production and consequently of the bourgeois society that rested on it.

For Adam Smith the tendency for the general rate of profit to fall arose from the growing competition amongst capitals brought about by the progressive accumulation of capital. As capital accumulated, the outlets for profitable investment would become exhausted. At the same time existing markets would become satiated with the ever increasing production of commodities brought about by the accumulation of capital. There would be an overaccumulation of capital. As a result, competition between firms to sell their output would intensify. Profit margins would have to be cut just to maintain existing sales. Hence profits across the economy would tend to fall. With this tendency for profits to fall across the economy as a whole due to increased competition, and with the mass of capital continuing to accumulate, then the general rate of profit would also have a tendency to fall.

However, Smith was at the same time able to identify a number of counter­tendencies to that of the falling rate of profit which held the promise of deferring its worse implications almost indefinitely. The two most important of these were: firstly, the growing social division of labour, which allowed for a decline in production costs to offset the trimming of prices; and, secondly, the growth of foreign trade, which vastly increased the outlets for the profitable investment of domestic capital.

This optimistic view, as far as the bourgeoisie was concerned, was not shared by Smith's successor, Ricardo. For Ricardo the tendency for the general rate of profit to fall was not due to an increase in competition resulting from a relative overabundance of capital but from a natural barrier to capitalist accumulation that arose from the conditions of agricultural production. For Marx, in pressing home this more 'pessimistic' view, Ricardo came to the point of revealing the historical limitations of the capitalist mode of production. Yet in the end his ideological preconceptions prevented him from going the whole way. As Marx comments:

Those economists, who, like Ricardo regard the capitalist mode of production as absolute, feel at this point that it creates a barrier itself, and for this reason attribute the barrier to Nature (in the theory of rent), not to production. But the main thing about their horror of the falling rate of profit is the feeling that capitalist production meets in the development of its productive forces a barrier which has nothing to do with the production of wealth as such; and this peculiar barrier testifies to the limitations and to the merely historical, transitory character of the capitalist mode of production; testifies that for the production of wealth, it is not an absolute mode, moreover, that at a certain stage it rather conflicts with its further development. (Capital III, p. 242)

Thus, for Marx, Ricardo correctly identified the tendency of the rate of profit to fall as being an expression of the barriers confronting capitalist production but, as an ideological defender of the bourgeoisie, he refused to recognize these barriers as being historically specific to capitalism. Instead he sought to locate the source of such barriers in the natural, and therefore absolute, limitations imposed on the development of agricultural production.

Marx's principal task in taking up the issue of tendency for the general rate of profit to fall at this point was therefore to go beyond Ricardo's theory of profit to show how the barriers to the accumulation of capital were not of a natural origin but were historically specific to the capitalist mode of production itself. With such a digression Marx was able not only to engage with an issue that had been central to classical political economy but also, at the same time, to underline the historically specific character of the capitalist mode of production - a fundamental theme of Marx's critique of bourgeois political economy.

As has been previously discussed, Ricardo held rigidly to what we have termed an embodied labour theory of value. For Ricardo, the labour embodied in the production of commodities was identified with their value in exchange and hence directly determined the exchange ratios, the relative prices, at which all commodities exchanged with each other. Therefore Ricardo, in adhering to an embodied labour theory of value, took production and exchange as an immediate identity.

It is therefore no surprise that, having developed an embodied labour theory of value, Ricardo came to readily accept the propositions of what has become known as Say’s Law.7 Say’s Law was first put forward by Ricardo's friend and fellow economist James Mill and was then taken up by various economists such as Say, from whence it obtained its name. Its principal proposition, common to all its versions, was that, since every purchase was at the same time a sale, total sales must equal total purchases. This was then

laken to imply that there could be no general overproduction of commodities since production would always generate the revenue with which to purchase what had been produced. Further, with no overproduction of commodities there could be no overaccumulation of capital to produce them.

Of course this was not to deny the periodic overproduction of commodities in particular industries. But such overproduction would necessarily imply underproduction in other industries. Such localized overproduction would merely be the result of temporary disequilibrium brought about by sudden changes in tastes and fashion on the demand side and sudden changes in the conditions of production on the supply side. In time the competitive transfer of capital between industries would ensure the restoration of equilibrium across the economy as a whole.

For Ricardo, and his fellow adherents to Say's Law, insofar as general crises of over- or underproduction did occur they were due factors external to the capitalist economy. They were seen to be the result of natural disasters such crop failures and famines, or else to political factors, such as wars or excessive state interference in the workings of the economy. Apart from such externally originated events, Say's Law ensured a continuous unilinear development of the capitalist economy.

In the context of Say's Law the tendency for the general rate of profit to fall merely implied that the long term rate of profit, and with it the rate of accumulation and growth of the economy as a whole, would decline asymptotically towards zero. The tendency for the rate of profit to fall did not therefore imply crisis - in fact this was denied by Ricardo's adherence both to an embodied labour theory of value and to Say's Law - but rather posed an ultimate limit to the development of capitalism, and hence bourgeois society, with the eventual onset of economic stagnation. Indeed, while Ricardo and his contemporaries feared this eventual onset of economic stagnation as heralding the decadence of bourgeois society, and thus, for them, of civilization itself, a few decades later J.S. Mill, in taking up this perspective, looked forward to this eventual stationary stale since he believed it would allow bourgeois society to free itself from its more lamentable aspects, such as greed and avarice, and allow the emergence of a more harmonious and stable society.

The growing class antagonisms and violent economic crises that became increasingly evident with the emergence of industrial capitalism following Ricardo's death had clearly shown for Marx that the development of the capitalist mode of production was not a smooth and progressive unilinear development, but was on the contrary a development that was marked by a repeated cycle of booms and slumps of increasing severity. Except for the pure bourgeois apologists of vulgar economics, crisis could no longer be considered as something accidental or external to the process of capitalist

economic development, but was evidently an inherent and integral part of it.

For Marx, capitalism necessarily produced the barriers to its own self­development which then had to be forcibly overcome through the outbreak of periodic crises in the accumulation of capital. Yet in overcoming such barriers through crisis, capitalism could only reproduce them on an ever greater scale. Thus capitalism was driven through ever greater crises, each one raising the possibility of its eventual revolutionary overthrow with the consequent intensification of class conflict.

It was therefore necessary for Marx to show, not only that the tendency for the general rate of profit to fall was an expression of a barrier inherent in the very process of capitalist production and thus the accumulation of capital, but also that it was not simply an ultimate barrier, as it was for Ricardo, but rather a barrier repeatedly posited and then forcibly overcome in crisis. He was therefore set on course for a double movement of analysis and synthesis. An analytical movement to set out the tendency as such; and then a movement of synthesis to articulate this tendency with its counter-tendencies as a movement of crisis.

Yet, as we shall argue, in pursuing this double movement of analysis and synthesis on the question of the falling rate of profit, in raising the question of crisis, we find Marx once more moving tangentially to his principal line of theoretical development. Let us consider this in more detail.

*i) Chapter 13: The law as such*

As we have seen Marx was led in Part III to undertake a double movement of analysis and synthesis. Firstly he sought to show, against Ricardo, how the falling rate of profit was a tendency inherent to capitalist production itself rather than an externally imposed natural barrier. Secondly he sought to show how this tendency was articulated with its counter-tendencies, so that it was not an ultimate barrier, as proposed by Ricardo, but a barrier repeatedly posited and overcome in the uneven and crisis-ridden course of capitalist development. The first of these tasks we find dealt with in chapter 13 where Marx considers The law of the tendency for the rate of profit to fall as such'.

As Marx slates concisely in Theories of Surplus-Value:

Ricardo's theory rests on two false presuppositions:

1. The false supposition that the existence and growth in rent is determined by the diminishing productivity of agriculture;
2. The false assumption that the rate of profit is equal to the rate of surplus-value and can only rise or fall in inverse proportion to a fall

Ricardo, following the 'esoteric' Smith, saw the total value of all commodities as breaking up into the revenues of the three great classes; profits, rents and wages. In terms of formulating the general rate of profit Ricardo did not therefore consider the category of constant capital. In terms of manufacturing industry where there existed only the capitalist and the worker, the value of commodities only had to be divided into profits and wages. It followed from this that any rise in the value of wages could only be at the expense of profits; just as any increase in the proportion of the value of a commodity falling to profits could only be at the expense of wages. Furthermore, since in aggregate any costs of the means of production (constant capital in Marx's terms) were taken to be resolved into profits and wages, the general rate of profit in manufacturing industry would simply equal what Marx terms the rate of surplus-value. That is, we have (again in Marx's terms and with our previously defined notation);

W = S + V

and

R = e = S/V

From this it can be seen that if wages and therefore V rise relative to the value of profits then the rate of profit must fall.

However, in this 'pure' form of the capitalist mode production in which only manufacturing industry is considered there is no reason to suppose that wages should rise in the long term and hence there is no reason to suppose that there should be a long term tendency for the rate of profit to fall. For Ricardo, the workers in the long term would only be paid a wage to ensure their continued survival and reproduction. Any rise in wages above this subsistence level could only ever be due to ephemeral and exceptional circumstances. There was therefore no reason to believe from this perspective that the general rate of profit should have in any way a tendency to fall. In fact, it could be argued, that with the technological changes reducing the value of basic necessities, the value of wages should tend to fall and so there should be a long term tendency for the general rare of profit to rise!

So we can see, from Ricardo's perspective, that for capitalist production as such, as represented by manufacturing industry, there is no inherent tendency for the genera] rate of profit to fall. But manufacturing industry could not exist in isolation. It depended on agriculture to supply its raw materials and to feed its workers. But with agriculture came the natural barriers to

production and the parasitical and unproductive class of landlords. It was with this articulation of manufacturing industry with agriculture that Ricardo came to locate the tendency for the rate of profit to fall.

As the economy grew, allowing an expansion in the population, the demand for food and raw materials produced by agriculture would grow. To meet this growing demand more inferior land would be brought into cultivation. This could be seen to have two important consequences. Firstly, as less and less fertile land comes into cultivation more and more labour has to be expended upon each additional plot of land to produce a given output of agricultural produce. Since for Ricardo it was the labour embodied in production on the most marginal land that determines the value, and hence the relative price, of agricultural produce, the price of agricultural commodities would tend to rise relative to those in manufacturing. Furthermore, given that workers spend a large proportion of their wages on food and similar agricultural products, this rise in the relative price of agricultural goods will produce a rise in the value of wages. With such a rise in the value of wages, as a consequence of higher food prices, the profits of capitalists both in agriculture and manufacturing would become squeezed leading directly to a fall in the general rate of profit.

Secondly, this general rise in agricultural prices, due to the diminishing marginal productivity of land, would not benefit the capitalist farmers. Although fanners producing on belter than marginal land would be able to sell their produce at prices above their own individual values, this difference would be creamed off by the landlords in the form of differential rent and then squandered on idle consumption. Thus capitalist farmers would be unable to fully offset rising wages by taking advantage of the improved terms of trade with manufacturing industry. Hence there was no escape from falling rates of profits, either in manufacturing or in agriculture. Since profits provided the funds for productive investment, a falling general rate of profit directly implied a falling rate of capital accumulation and consequently a declining rate of economic growth.

Marx was keenly aware of the importance of agriculture's articulation with manufacturing industry in the concrete historical development of capitalism - which was shown in his detailed account and analysis of the Great Cotton Crisis of 1861-5 in chapter 6. But Marx's criticisms of Ricardo's false supposition with regard to rent and the diminishing productivity of land belong to his subsequent theory of rent. Marx's main line of attack in chapter 13 is Ricardo's second false supposition: the equating of the rate of profit with the rate of surplus-value.

Already, as we have seen, Marx had shown that the rate of profit diverged from the rate of surplus-value because it was calculated in terms of the total value advanced, including constant capital, rather than merely the value

advanced as variable capital. With this distinction Marx was now able to show how the general rate of profit could fall even though the rate of surplus- value remained constant. He could accept Ricardo's viewpoint that the working class would be reduced to bare subsistence but still show how the tendency for the rate of profit to fall could arise from the very process of the accumulation of capital itself. He was therefore able to retain his critical bourgeois perspective, which reduces the working class to mere object, which was necessary to unravel the objective movement of the dialectic of capital.

How then does Marx proceed? As we have seen the rate of profit is determined by the rate of surplus-value mediated by the value composition of capital. We have the expression:

r = d (k + 1)

From this expression it can be seen that if the rate of surplus-value (e) is constant then the rate of profit may fall if the value composition of capital rises. This much we have seen already. But why should the value composition of capital rise?

Marx argues that with the development of capitalist mode of production the mass of means of production in sheer physical terms will tend to rise in relation to the physical amount of labour employed in production. As the labour process becomes mechanized and automated, labour will become expelled from production and replaced by machines and other means of production. This Marx terms as the tendency for the technical composition of capital to rise.

This tendency for the technical composition of capital to rise will then be reflected in a tendency for the value composition of capital to rise. With production becoming increasingly mechanized and automated, with more and more of productive use-values taking the form of means of production rather than labour-power, the capitalist will find that she has to advance more of her capital as constant capital rather than as variable capital. Thus, to this extent the ratio c/v (the value composition of capital) will rise.

This rise in the value composition of capital, caused immediately by a rise in the technical composition before any subsequent change in relative prices or values brought about by any consequent change in the relative productivity of labour, Marx terms a rise in the organic composition of capital. However, if the productivity of social labour in Department I is rising much faster than that in Department II, then the value of the means of production may well fall fast enough to offset its physical expansion relative to that of the labour- power alongside which it is employed. In this case the value composition having risen due the rise in organic composition of capital may then subsoquendy fall due to this increased social productivity of labour in

Department I.

However, this case is perhaps rather exceptional. In the long term Marx is able to argue that the tendency for the technical composition of capital to rise, which derives from the real subsumption of labour under capital, leads to a tendency for the organic composition of capital to rise, which then in turn leads to a tendency for the value composition of capital to rise also. With a constant rate of surplus-value, this then means that there will be a long term tendency for the rate of profit to fall.

From this we can see how the very drive of capitalist production to revolutionize the production process so as to increase the production of relative surplus-value gives rise to the tendency for the rate of profit to fall. The barrier to capitalist accumulation can now be located within the very process of capital accumulation itself. But is this tendency not compatible with the gradual decline in the rate of accumulation towards a stationary state that Ricardo and J.S. Mill envisaged? How can this tendency for the rate of profit to fall be reconciled with the crisis-ridden movement of capitalist development? It is to answer such questions that Marx moves on to chapters 14 and 15.

*ii) The counter-tendencies*

In elaborating his theory of the falling rate of profit in chapter 13 Marx follows on directly from the line of argument developed in Parts I and II. As we have seen, the distinction made between the rate of profit and the rate of surplus-value made in Part I allows Marx to go beyond Ricardo to show how the tendency for the rate profit to fall emerges out of the very process of capitalist production itself. Furthermore, the three sets of assumptions with which both Parts I and II unfold - a constant and uniform rate of exploitation, the realization of embodied labour as value and the synchronicity of the reproduction of capital - are all, for the most part, retained in chapter 13.

But as Marx remarks:

If we consider the enormous development of the productive forces of social labour in the last 30 years alone as compared with all preceding periods; if we consider, in particular, the enormous mass of fixed capital, aside from actual machinery, which goes into the process of social production as a whole, then the difficulty which has hitherto troubled the economist, namely to explain the falling rate of profit, gives place to its opposite, namely to explain why this fall is not greater and more rapid. There must be some counter­acting influences at work, which cross and annul the effect of the general law, and which give it merely the characteristic of a

tendency, for which reason we have referred to the fall of the general rate of profit as a tendency to fall. (Capital III, p. 232)

Marx could not simply stop short at merely presenting a theory of the tendency of the rate of profit to fall, counterposed to those theories of classical political economy. He had to at least take up the 'opposite difficulty' and outline the various counter-tendencies which had prevented the rate of profit from collapsing completely. This he does in chapter 14 where he identifies and briefly considers in tum five counter-tendencies - which are in fact more or less the same counter-tendencies put forward by J.S. Mill. These being as follows:

1. The increasing intensity of exploitation - in part brought about by the repeated transformation of the production process.
2. The depression of wages below the value of labour-power.
3. The cheapening of the elements of constant capital.
4. Relative overpopulation.
5. Foreign trade.

These counteracting influences are presented as little more than a list - and a far from comprehensive list at that. They all belong to varying levels of abstraction and each one is considered in isolation. Marx makes no attempt to articulate them as a whole in relation to the tendency for the rate of profit to fall itself. It would seem that Marx merely intended to round off his digression into the theory of the tendency for the rate of profit to fall, and with this his theory of profit as a whole, by briefly indicating the possible counter-tendencies to such a tendency. Indeed, Marx admits that a full consideration of certain of these tendencies lie beyond:

...the general analysis of capital, but belong to an analysis of competition, which is not presented in this work [i.e. Capital], (Capital III, p. 235)

So it would seem that with this list of counteracting tendencies chapter 14 brings his presentation of his theory of profit to a close. Yet, at the same time. Marx has only gone halfway in his digression concerning the tendency for the rate of profit to fall. He has only considered the first moment of analysis that sets out this tendency in isolation. Chapter 14 is therefore at the same lime a point of departure for a possible investigation into the second moment of synthesis in which this tendency is articulated with its counteracting tendencies.

Anxious to show how capital, through the tendency for the rate of profit to

fall, posits itself as the barrier to its own self-development, not as an ultimate barrier but as a barrier which must be repeatedly overcome, Marx is led to take up this rather tangential investigation in chapter 15. An investigation which, as we shall see, directly raises the question of rupture and crisis.

What then do we find in chapter 15? Once more in the midst of investigation, we find ourselves working through various arguments. We find Marx taking up a line of argument only to break off to take up another line of attack. As a result this chapter 15 is a rather difficult chapter to comprehend. Yet by placing it within its broader context we may go some way towards making sense of this chapter and draw out the implications it has for understanding its tangential relation to the theoretical line of development that is presented in Volume III as a whole.

As we have already seen, Marx, in chapter 13, had shown how the tendency of the rate of profit to fall could be located within the very movement of capital itself rather than being a natural and externally imposed barrier, as Ricardo proposed. The problem for Marx now was to show how the tendency for the rate of profit to fall did not only express the fact that capital was a barrier to its own accumulation, but that as such it was an imminent barrier, a barrier that had to be repeatedly overcome rather than existing as some ultimate barrier, as it did for Ricardo.

To address this problem Marx, having already shown how the tendency for the rate of profit to fall arises out of the process of capital accumulation, now has to begin by examining how this process of accumulation is itself regulated by the tendency for profits to fall. And again it is against Ricardo that Marx seeks to tease out his solution.

As we have previously noted, for Ricardo the tendency for the rate of profit to fall leads to a gradual long term decline in the rate of capital accumulation, and hence of economic growth, until a point is reached where no new investments are made and capitalist society stagnates. The reason Ricardo puis forward for this is that profit is both the motivation and incentive required for productive investment Without the prospect of making large enough profits capitalists will not invest and will therefore not accumulate capital. As Ricardo himself puts it:

Their [the capitalists'] motive for accumulation will diminish with every diminution of profit and will cease altogether when their profits are so low as not to afford them an adequate compensation for their trouble, and the risk which they must necessarily encounter in employing their capital productively (Ricardo, 1971, 141)

So, as the rate of profit falls, profits fall, and therefore the motivation and incentive to investment will fall. As a consequence there should be a gradual

slowing down of the accumulation of capital and economic growth until the point is reached when profits are so low no one will want to make any fresh investments and the economy stagnates.

But is a declining rate of profit immediately expressed in a concomitant decline in the rate of accumulation? Or are there factors which mediate the expression of this tendency in terms of the rate of accumulation? It is this question that we find Marx seeking to answer towards the beginning of chapter 15.

One of the fust points Marx takes up is Ricardo's failure to make a clear distinction between the mass of profits, which in total represents the total mass of surplus-value, and the rate of profit. Even if the general rate of profit is falling the mass of profits may still be rising. Indeed as Marx states:

With the development of the [production] process, which expresses itself in a drop in the rate of profit, the mass of surplus-value swells to immense dimensions. (Capital ID, p. 244)

So why is this distinction important for Marx? For Marx the inner driving force of capitalist production is not to provide the capitalist with a future income but the production of surplus-value and its accumulation as capital.

It must never be forgotten that the production of this surplus-value and the reconversion of a portion of it into capital... is the immediate purpose and compelling motive of capitalist production.

It will never do, therefore, to represent capitalist production as something it is not, namely as production whose immediate purpose is enjoyment or the manufacture of the means of enjoyment for the capitalist. (Capital HI, p. 243)

Capitalists do not invest because of the prospect of profit as a future revenue, although this is what capitalist may intend, but because their very existence as capitalists depends upon it. Competition compels each and every capitalist to accumulate. Failure to expand brings with it the prospect of failure or take-over, the prospect of extinction as a capitalist.

So, up to a point, capitalists must continue to accumulate regardless of the general rate of profiL As the rate of profit falls the capitalists will be obliged to convert a larger and larger part of their surplus-value into additional capital to sustain accumulation and as a consequence forgo more and more of their profit as their own personal revenue.

But this is not all. As the rate of profit falls, and competition becomes more intense as a result, individual capitals will seek to buck the trend by appropriating surplus-profits. They will seek to introduce new technology to

mechanize or automate production in an effort to reduce their costs below those of their competitors. By these very efforts to raise their own individual rale of profit they will not only act to accelerate the rate of accumulation but at the same time hasten the rise in the organic composition of capital and the consequent fall in the general rate of profit.

So, because the process of capitalist accumulation is driven, not by the incentive of future revenue and enjoyment of the capitalist but by the inner drive of capitalist production, a fall in the rate of profit will not lead immediately to a fall in the rate of accumulation, but rather the reverse! In fact we now have what we could term a positive feedback situation: the faster the general rate of profit falls the faster capital will accumulate and so the faster the rate of profit will fall.

But this is only up to a point. Surplus-value can only be accumulated while the rate of profit is positive. However great a capital is, it produces no surplus-value if its rate of profit is zero. Indeed as soon as the rate of profit falls to zero on additionally accumulated capital the further accumulation of surplus-value becomes impossible. The mass of capital accumulated now stands as a barrier to its own further expansion. It has reached the point of overaccumulation. We are on the verge of crisis. This presents us with two crucial questions: Firstly, why should capital step beyond this point? Why shouldn't the capitalists merely stop accumulating at this point where any further investment is a dead loss? And secondly, how is it possible for capital to overcome this barrier to its own profitable accumulation? Once the general rate of profit has fallen to more or less zero how can it be restored?

So we may then ask: is this point not an ultimate barrier? Have we not come to Marx's version of the stationary state (or even worse, the normal state of affairs of neoclassical economics where the marginal productivity of capital is zero and profit is therefore nothing but interest!)?

For the moment, at least in answer to the first of these questions, we can only appeal to the rather vague notion of the momentum of capital which takes it beyond this point to rupture and crisis. But before we seek a more detailed answer to either of these questions we must first return to the question posed by Marx in chapter 14: given the enormous accumulation of capital in the historical development of the capitalist mode of production, and given that the fall in the rate of profit will tend to gather its own momentum, why hasn't the rate of profit collapsed long ago?

The answer to this question is that out of the very same process of accumulation of capital from which the tendency for the rate of profit to fall arises there emerges its principal counter-tendency. So what is this counter­tendency?

As we have seen, once capital imposes its real subsumption of labour in the process of production the accumulation of capital is driven forward by the

ceaseless drive for the production of relative surplus-value. This demands the repeated transformation of the production process. Production must become ever more mechanized and automated; labour must become expelled; and so the technical composition of capital rises. As a result the organic composition of capital is driven upwards and so the rate of profit tends to fall.

But the drive towards the production of relative surplus-value is at the same time a drive which vastly enhances the productive powers of labour. The increasing mechanization and automation of production necessarily brings about an enormous increase in the productivity of social labour. Any given amount of labour will be able to produce ever greater amounts of real wealth. As a consequence we fmd that the labour required to produce a unit of use-value or real wealth will tend to fall over time.

Such a process of devaluation will apply to all the wealth produced out of capitalist production regardless of whether it is destined for consumption or for further production. Indeed it will include those use-values that serve both as the means of production and as the means of subsistence for the reproduction of labour-power, and which are consequently subsumed as constant and variable capital. We therefore find that the increasing social productivity of labour, brought about by the drive to accumulate capital, brings with it the devaluation of the productive elements of capital. In fact, we may say that the very process of the accumulation of capital is not only a process of capital as self-expanding value but, paradoxically, is also a process of its devaluation.8

This devaluation of capital acts as the principal counter-tendency to that of the falling rate of profit in two interconnected ways. Firstly, as we have already noted, the development of the productivity of labour in Department I may well offset the effect of any rise in the organic composition on the rate of profit. While the mechanization and automation of production may well lead to an increase in the mass of use-values that serve as the means of production relative to the labour employed in the labour process and thereby lead to a rise in both the technical, and organic composition of capital, the fall in the unit values of these use-values may be sufficient to offset this increase in their mass. In such a case the increase in the organic composition of capital will lead neither to a rise in the value composition of capital nor a fall in the rate of profit.

Secondly, and perhaps more importantly, is the devaluation of the means of subsistence and hence the fall in the value of labour-power and variable capital. With the value of labour-power, and thus variable capital, falling, the rate of surplus-value will rise. With less labour-time in a given working day spent reproducing the equivalent of the worker's labour-power, a greater proportion will be left for the capital as surplus-value. Indeed, as we saw in chapter 8, this is the very aim of the production of relative surplus-value.

r = e/(k+ 1)

we can see that any rise in the rate of surplus-value will run directly counter to any rise in the value composition of capital that may serve to depress the rate of profit.

So we can see how increases in the social productivity of labour in both Department I and in Department II counteract any tendency for the rate of profit to fall. Their counteracting effect taken together may be clearly seen if we recall our first expression of the rate of profit; namely:

r = s/ (c + v)

With the devaluation of both constant and variable capital, even if the mass of surplus-value remains the same, the rate of profit must rise.

So, on the one side we have the accumulation of capital increasing the organic composition of capital and thereby depressing the rate of profit; on the other we have this very same process increasing the social productivity of labour which, through the devaluation of accumulated capital, increases the rate of profit. How are these contradictory moments of capital accumulation articulated?

It has been argued, on the basis of the 'Okishio Theorem',9 that the tendency for the rate of profit to fall will be completely overwhelmed by its counteracting tendency, and is therefore of little consequence. Given that capitalists seek to maximize their own individual rates of profit, then the Okishio Theorem shows that no capitalist will seek to introduce a new technique of production which raises the organic composition of capital whose effect on the general rate of profit is not subsequently offset by a general rise in the rate of surplus-value. If this proposition is accepted then the tendency for the rate of profit to fall is completely annulled in its opposite. What we should have is not a tendency for the rate of profit to fall with the accumulation of capital, but, on the contrary, an overwhelming tendency for it to rise!

We need not delve into the mathematical intricacies of the Okishio Theorem here. Suffice it to say that, although this theorem makes a useful contribution in highlighting the counteracting tendency to that of the falling rate of profit, it is limited to a comparative analysis of static equilibrium values and disregards what we shall see is the crucial question of fixed capital.

The tendency for the rate of profit to fall and its principal counteracting tendency are not, for Marx, two independent factors that can simply be brought into an external and quantitative relation to each other. They are two

contradictory moments of the same dynamic process: the process of capital accumulation. We must therefore find their modus vivendi', the means through which they coexist together within the unity of capital accumulation and thereby come to regulate it. This is the dialectical method; and indeed we can discern Marx at work on this very problem in chapter 15.

How then do these two tendencies find their modus vivendi? Firstly we must consider the devaluation of capital brought about by the increase in the social productivity of labour. This in itself, as we have already seen, implies a rising rate of profit. As capital becomes devalued so the rate of surplus-value and the rate of profit rises.

However, individual capitals do not appropriate the surplus-value they themselves have expropriated in production but rather appropriate part of the total surplus-value produced by social capital via exchange. Each and every individual capital makes its claim to surplus-value on the basis of the proportion of its own value to that of the total social capital. Consequently each individual capital will seek to preserve the value it has itself accumulated against the process of devaluation. That is, each individual capital will endeavour to assert the equivalence of the old values it has accumulated with any new ones that emerge as a result of the increasing productivity of labour. Only in this way can each individual capital defend itself as a given pan of the total social capital and thereby maintain its share in the distribution of the total surplus-value as profit.

How then do individual capitals seek to preserve the values they have themselves accumulated? The initial answer to this is by convening their capital into money-capital - since as money capital is free from the multiplicity of concrete use-values that are at risk from the process of devaluation. (Of course money may itself become devalued but then it is in the same proportion for all capitals.) The problem is that industrial capital is obliged to take leave of the process of circulation, where it can readily be converted into money, to become productive-capital. Existing in the material form of productive use-values capital is under continual threat of devaluation.

If all productive capital took the form of circulating capital then this problem would be of little significance. Any changes in the productivity of labour between the start of a production cycle and its completion would, except for the longest of production cycles, be minor. The adjustment of the old structure of values with which production began to those prevailing when it finished would be small and present few difficulties to most capitals involved. What is more, since all productive-capital would have to enter into exchange to become capital-in-circulation at the end of each cycle of production, such an adjustment would be imposed through the law of value which demands that the value at which commodities exchange is determined by the abstract social labour necessary for their reproduction, not the labour

used in their actual production (i.e. their new values not their old values).

However, once we admit the existence of fixed capital all this changes. A machine purchased ten years ago may have taken 1000 hours of social labour to build; but now, as a result of an increased productivity of labour, it may be possible to purchase a similar machine which has taken only 500 hours of labour to build. Thus its replacement value, its new value, is half that of its historical or old value. Yet it was this historical value which was the value actually paid for the machine in hard cash. And it is this old value that the capitalist reckons as part of her advance of money-capital and which she seeks eventually to recover, together with the requisite amount of profit, over the lifetime of the machine through the depreciation charges added to the value of the commodities it serves to produce.10

This insistence on the preservation of old values becomes even clearer if we run ahead of Marx and consider the case in which the capitalist buys the machine with borrowed capital. The money-capitalist who lent the original sum to buy the machine will not accept any protestations to the effect that because the replacement value of the machine has halved so must the interest payments she receives be halved. She will demand that the interest payments originally contracted are paid in full. The interest charges attributed to the machine will therefore remain based on its old historical value regardless of any subsequent change in its new replacement value. It will be a charge maintained within the depreciation charge of that fixed capital.

But what is true in the case where interest is paid to another capitalist for money borrowed to buy fixed capital is also true when the industrial capitalist advances her own money-capital and consequently retains both profit and interest. In both cases capitals will seek to preserve their own historic values as far as competition will allow.

What is more, capitals can do this because the value of capital that remains fixed as productive capital does not enter circulation to be validated as such. Instead its value as capital can only be imputed from the profit attributable to it from that part of its value that does circulate in any one period in the form of depreciation charges included in the value of the commodities it helps to produce. Of course intra-industry competition will tend to depress depreciation charges and hence the imputed value of fixed capital. But only to a small degree. If capitals were unable to sustain the imputed value of their fixed capital no one would risk investing in any industrial capital which had any significant proportion of fixed capital, since if they did they would face the prospect of the devaluation of their capital far outweighing any prospective profit. With all the capitals in a particular branch of industry in more or less the same boat, the formation of the market value will tend to impute the industry's average historic value of fixed capital.

With this preservation of the historic values of fixed capital the devaluation

of capital due the increasing social productivity of labour becomes deferred. But this gives free play to the effects of the rising organic composition of capital on the general rate of profit. As capital accumulates on the basis of historic values the rate of profit will decline. Sooner or later the critical point is reached. Capital has accumulated to such a degree that it has become a barrier to its own self-expansion. Profitable accumulation is at an end.

But this is only on the basis of historic values. If capital was evaluated on the basis of replacement values, if the deferred counteracting effects of the rising productivity of labour could be brought into play, the rate of profit could be restored to health and profitable accumulation resumed. Indeed this is the way capital is able to overcome the falling rate of profit as a barrier to further accumulation. Through rupture and crisis, the long pent up devaluation of capital is released all at once. The old structure of historical values are forcibly reduced to that of the new. But this does not only mean the simple devaluation of capital but also its widespread destruction; its devalorization, bankruptcy and ruin.

As Marx describes it all;

The contradiction, to put it in a very general way, consists in that the capitalist mode of production involves a tendency towards the absolute development of the productive forces, regardless of the value and surplus-value it contains, and regardless of the social conditions under which capitalist production takes place; while, on the other hand, its aim is to preserve the value of the existing capital and promote its self-expansion to the highest limit... The specific feature about it is that it uses the existing value of capital as a means of increasing this value to the utmost. The methods by which it accomplishes this include the fall of the rate of profit, depreciation of existing capital [devaluation], and development of the productive forces of labour at the expease of the already created productive forces.

The periodical depreciation [devalorization] of existing capital - one of the means immanent in capitalist production to check the fall of the rate of profit and hasten accumulation - disturbs the given conditions, within which the process of circulation and reproduction of capital takes place, and is therefore accompanied by sudden stoppages and crises in the production process. (Capital III, p. 249)

So we can see that for Marx, unlike Ricardo, the falling rate of profit does not pose an ultimate limit to the accumulation of capital. Rather it is a limit that can be overcome, but only through rupture and crisis which can lead to a devalorization of capital sufficient to restore the profitable accumulation

afforded by the increased social productivity of labour.

But the question still remains as before: why should capital step beyond the point of profitable accumulation? What is it that brings the onset of crisis that restores the possibility of profitable accumulation? Marx can give us no solution to such questions at this point. Indeed it is this very problem of crisis that constrains the development of Marx's investigation here, and which underlies the muddled and far from polished discussion that we find in chapter 15. So what is it that makes this problem so difficult?

As we have previously argued, the whole question of crisis runs counter to the emphasis that we find throughout the theoretical development of Capital. The emphasis is on the unity and persistence of capital. Of course the dialectic of capital is driven forward by contradiction. In positing the unity of capital, Marx has to repeatedly posit its disunity, and with this, at least implicitly, the possibility of rupture and crisis. But such disunity, such contradictions, always become resolved, at least provisionally, within the course of Capital. The question of rupture and crisis must therefore be repeatedly deferred. It is a question whose explication lies beyond the text Capital itself. Consequently, any pursuit of the question of crisis must become a digression that can only be tangential to the principal line of theoretical development that we find in Capital. A digression that can only run counter to the main drift of the preceding and subsequent text within Capital, and thus a digression that must ultimately break up or else face an impasse.

However, Marx's digression into the question of the fall in the general rate of profit not only ends up running counter to the main drift of Capital, but, more specifically, runs counter to his theory of profit which immediately precedes it. This becomes evident once we discern how in developing his theory of the tendency for the rate of profit to fall Marx is obliged to progressively abrogate the provisional sets of assumptions upon which his theory of profit as such was developed. This is particularly so with regard to the assumptions regarding the realization of labour as value and the synchronicity of the reproduction of capital.

As we have previously noted, Marx, in setting out his theory of profit as such, made the provisional assumption that the labour embodied in production becomes realized as value, at least in total. In maintaining this provisional commitment to a quasi-embodied labour theory of value in terms of the multiplicity of individual capitals, Marx was able to demonstrate how surplus-value, having been produced in the production process, is then socially distributed among individual capitals in the quantitatively and qualitatively distinct form of profit. As a consequence, each individual capital could be recognized insofar as it is a particular expression of the totality of social capital.

But, just as Ricardo's embodied labour theory of value led Ricardo to adopt Say's Law and thus deny the possibility of overaccumulation and overproduction, so Marx's provisional adoption of a quasi-embodied labour theory of labour gives rise to a similar preclusion. So long as Marx takes as given that all labour performed in production will be realized as value he can admit neither any overaccumulation of capital, and hence a general crisis of overproduction, nor the consequent devalorization of capital that arise once the overproduced commodity-capital cannot be sold. For Marx's theory of profit as such, crisis is therefore provisionally precluded.

Yet, as we have seen, Marx's theory of the falling rate of profit must grasp the accumulation of capital as not only as a process of valorization - as a process of storing up alienated objectified labour - but also as a process of devalorization - as a process in which accumulation is accelerated to the point of overaccumulation where capital becomes a barrier to its own further development. A barrier that can only be overcome through the mass devalorization of capital by means of rupture and crisis. Thus the development of the theory of the falling rate of profit demands the abrogation of this very assumption upon which Marx's theory of profit has hitherto unfolded.

But furthermore, as we have also noted, Marx's theory of profit rests on the further assumption of the synchronicity of reproduction. This assumption implies that values in one period can be immediately equated with those in another as if they were values of the same period. Yet such an assumption, so vital for the clarity of Marx's exposition in Parts I and II, is untenable once Marx begins to address the question of the increasing productivity of social labour. As we have seen, with the increasing productivity of social labour comes the devaluation of capital. A devaluation which becomes most forcibly expressed in the contradiction between the imputation of past historic values of fixed capital and present replacement values. We have seen how it is vital for Marx to grasp such a contradiction if he is to articulate both the tendency and counter-tendency for a falling rate of profit in the dynamic regulation of the accumulation process of capital. Yet it is a contradiction directly precluded by the assumption of synchronicity of reproduction.

Yet not only is Marx's theory of the falling rale of profit propelled towards an abrogation of two of the three fundamental assumptions upon which he developed his theory of profit, indicating that the theory of the falling rate of profit is a tangential digression from his principal line of theoretical development in Capital, it aLso presupposes much which has yet to presented.

Firstly, as we have already noted, Marx runs into an impasse with regard to the question of why capital should step beyond the point of profitable accumulation. It would appear that an answer to this may lie in the divergence of the readily apparent monetary relations, expressed as money

denominated prices and profits, and the underlying value relations. With this divergence it would seem possible that the phenomenal monetary relations, with which capitalists are immediately concerned, may disguise the precise point of overaccumulation. Capitalists may still be making ample money- profits, and thus be maintaining the rate of capital accumulation, even though the underlying value relations no longer justify such profits or accumulation. Sooner or later, however, value must reassert its regulation over money- prices and the illusion of profitable accumulation will then be revealed as a vast overaccumulation of capital.

However, the development of this prima facie argument presupposes an analysis of the divergence of the accumulation of money-capital and productive-capital. An analysis that, as we shall see, can only follow Marx's subsequent exposition of interest bearing capital and fictitious capital which is contained in Part IV. An exposition that necessarily presupposes Marx's theory of profit as such. But it also presupposes an analysis of competition.

So, secondly, to understand how prices may diverge from values it is necessary to understand not only the operation of convergent competition, which is set out in Marx's theory of profit and gives rise to the transformation of values into production prices, but also divergent competition. But more specifically, it is necessary to understand how capitalist competition gives rise to the imputation of values to fixed capital. This is vital, as we have seen, in determining the degree to which the devaluation of capital brought about by the growing productivity of social labour is deferred, and thus the degree to which the tendency for the rate of profit to fall is given free play. But a full analysis of competition, as Marx repeatedly mentions in passing, does not belong to a 'general analysis of capital' - that is to Capital - but rather it belongs to its 'eventual continuation'. It belongs, along with the question of crisis, to a work Marx promised but never even began.

So, once again, as in chapters 4, 5 and 6, we find Marx taking up an excursus that eventually becomes a tangential investigation which reaches an impasse with the question of crisis. The question of crisis remains premature. Marx has yet to develop the further transformations of surplus-value that arise with the division of gross profit into interest, profit-on-enterprise, and rent. It is to this line of theoretical development that Marx now returns with opening of Part IV of Volume III.

1. *Capital as function and as property*

Marx's investigation into a theory of crisis which developed from his theory of the law of the tendency for the rate of profit to fall was, as we have seen, premature. Capitalist crisis necessarily involves, and becomes most apparent, in terms of money and credit. Yet it is only now, in Part IV of Volume III, that Marx comes to treat such questions of money, credit and finance. Marx explains why his theory of interest must come after his theory of the falling rate of profit as follows:

We intentionally present this law [the tendency for the rate of profit to fall] before going onto the division of profit into different independent categories. The fact that this analysis is made independently of the division of profit into different parts, which fall to the share of different categories of people, shows from the outset that this law is, in its entirety, independent of this division, and just as independent of the mutual relations of the resultant categories. (Capital m, p. 214)

Marx had sought to show that the rate of profit would tend to fall regardless of the proportions into which the total gross profit or surplus-valuc was divided. Not only did Marx wish to show that the rate of profit could fall independently of rising rents (contra Ricardo) but also to avoid the confusion rampant in bourgeois political economy concerning profit and interest which could have only clouded his exposition at this stage.

Having set out his theory of the tendency for the rate of profit to fall, Marx, in returning from his tangential digression into the theory of crisis, was now clear to address the question of the division of the gross profit into interest and profit-on-enterprise and the confusion this division produces in the minds of the bourgeois economists. To do this Marx sets out in Part IV to distinguish the functional forms that capital takes on and which become apparent and separated out with the functional specialization of various individual capitals in the overall circuits of industrial capital.

Up to this point each individual capital has been taken to encompass an entire individual circuit of capital. Each capitalist has been assumed to oversee the buying of all the means of production and the hire of all the labour-power that is required, their employment and combination in production, and the sale of the resulting product to the consumer of the final product. However, the complexity of these various tasks leads to the specialization of various individual capitals into the particular stages and

functions of the circuit of industrial capital. A division therefore emerges between those individual capitals which specialize in the production of surplus-value and those which specialize in the realization of that surplus- value. A broad functional division consequently emerges between industrial (or, more strictly speaking, productive) capitals and commercial capitals.

Commercial capital intervenes in the circuits of industrial capital so as to relieve industrial capital of some of the operations involved with capital-in- circulation. This is usually achieved by a transfer of control or ownership of the capital in the form of money or commodities. This transfer of ownership or control does not alter in any way the essential movement of capital through its circuits, but it does alter the mode of appearance by altering the apparent basis for the various claims on the surplus-value generated out of such movement

Marx isolates two pure forms of commercial capital: merchant capital and money dealing capital. Merchant capital is concerned solely with the buying and selling of commodities. The merchant capitalist buys the industrial capitalist's commodities and then seeks to sell them at a profit. In this transaction the industrial capitalist is relieved of the task of selling to numerous customers and is able to realize the value of her commodities sooner than otherwise would be the case, which may then allow a faster turnover of her capital. In return the merchant capitalist gains a claim for part of the surplus-value produced and realized as the basis for her profit.

It appears that the merchant capitalist buys commodities from the industrial capitalist at their selling price and then makes her profit by simply adding a mark up to this selling price. So it then seems as if the merchant capitalist sells commodities above their values or production prices. It is from such an appearance that it is often concluded that the profit of the merchant capitalist arises purely out of the process of exchange and the circulation of commodities and has nothing whatsoever to do with production. On the basis of such a conclusion the merchant capitalist is then often accused of being an unnecessary and even parasitical 'middle-man' who makes her profit at the expense of the hard working' industrial capitalist on the one side and the hapless consumer on the other. However, in reply, the merchant capitalist may point out that, like production, the process of circulation involves costs and overheads that add to the costs of the commodity and which have to be covered in her mark up over the original selling price. Furthermore, these costs and overheads, along with the sums required to purchase the commodities from the industrialist, have to be advanced just as the industrial capitalist must advance capital in order to produce anything. The merchant capitalist is therefore able to argue that she acts like any other capital and can therefore make an equally just claim for profit as a result.

For Marx, however, this defence of the merchant capitalist's Haim for profit

is, like its denial, one-sided. Merchant capital is a functional form of capital and as such it does perform a function in the circuits of industrial capital. However it does not, in its pure form, produce any surplus-value and therefore has no direct claim to profit. Of course both living and dead labour will be employed by the merchant capitalist in her operations; but such labour insofar as it does not transform the use-values of the commodity is not productive and therefore does not produce value. Of course, actual concrete merchant capital will employ productive labour insofar as the production continues into the time of circulation, with, for example the transportation of commodities and their subdivision into consumable units. But in the pure function of buying and selling commodities the merchant capitalist does not produce any value and therefore cannot produce any surplus-value. The costs involved in the buying and selling of commodities are simply deductions from the surplus-value. They are costs the capitalist class has to bear in order that commodities may freely circulate.

So, if the merchant capitalist is unable to add any value to the commodities she buys and sells, then she must sell them at their value, or production price. The question that then arises is: where does the merchant capitalist's profit come from?

The answer to this becomes clear as soon as it is remembered that the merchant capitalist merely canies on the circuit of industrial capital under a different title of ownership. In the absence of the merchant capitalist the industrial capitalist would be obliged to undertake the task of selling her commodities to their final consumers. The industrial capitalist would have to bear the costs this involves and would have to tie her capital up in the form of commodities for the time it takes to complete their sale. Such costs involved in the full completion of the circuit would have to be deducted from the surplus-value that is realized with the ultimate sale of these commodities.

With the intervention of merchant capital these deductions from surplus- value are made at the point of sale to the merchant capitalist. The industrial capitalist sells her commodities at a discount, deducting from the price that part which would have covered the costs of circulation. The merchant capitalist, having bought the commodities at a discount, is then able to sell them at their value, or production price, just as the industrial capitalist would have done. Thus the merchant capitalist is able to cover her costs without selling at a price above that corresponding to the value of the commodity.

But, if this is so, the question stiU remains as to where the merchant capitalist’s profit comes from.

The merchant capitalist's profit is derived from two sources. Firstly, by specializing in the buying and selling of commodities the merchant capitalist will be able to reduce the costs of circulation to a far greater degree than the industrial capitalist who is principally concerned with production. Thus there

is a difference between the discount the industrial capitalist is prepared to make to cover the deductions in the surplus-value required to pay for circulation costs and the deductions the merchant capitalist actually makes. It is from this difference that the merchant capitalist is able to make her profit.

Secondly, by selling her commodities to the merchant capitalist the industrial capitalist is able to realize her commodity-capital as money-capital sooner and is thereby able to turn capital over faster. With a faster turnover of capital her annual rate of profit will be that much greater, and to achieve this the industrial capitalist may well be prepared to make a further discount in the selling price to the merchant capitalist over and beyond that required to cover the cost of circulation. Again this extra discount provides the merchant capitalist with the basis for her profit

So, while merchant capital produces no surplus-value, it is able to lay claim to profit by intercepting surplus-value in the process of its realization in the form of commercial profits. The different basis of commercial profit in the realization of surplus-value, rather than in its production, becomes obscured, however, by the competitive pressures which tend to equalize the rates of profits between merchant capital and industrial capital. This is also true of the second form of commercial capital - money dealing capital.

Money dealing capital is the elementary function of banking capital. From its beginning capitalism has required the handling of large amounts of money. As we saw when we considered Volume II, there are several points within the circuits of both capital and revenue where money may become hoarded and then dishoarded. Such operations of hoarding and dishoarding require the services of money dealing; the payment for commodities or services, security arrangements, accounting and so forth. Such operations are often costly for individual capitals to undertake for themselves since they often require relatively large overheads. Consequently certain capitals emerge which specialize in money dealing and which, by dealing other people's money, can spread these overheads over a large number of operations. As a result the deductions which would have to have been made from surplus-value to pay for the costs of the circulation of money can be greatly reduced. Thus, like the merchant capitalist who makes her profits by minimizing the costs of circulating commodities, the money dealing capitalist makes her profit by minimizing the costs of the circulation of money.

However, the money dealing capitalist only takes control of idle money. She does not make her profit by buying at below value and selling at value but from certain fixed charges and commissions made on her operations on behalf of other capitalists. Thus the basis of the money dealing capital's profit is far more transparent. But such transparency is usually negated by the fact that money dealing capital is closely alloyed with the other distinct form of banking capital - interest bearing capital.

Although commercial capital, whether it is money dealing capital or merchant capital, derives its profits from the realization of surplus-value rather than its production, it still has something in common with industrial capital in that its profits arise from particular functions within the overall circuit of industrial capital. Both industrial and commercial capital derive their profits by performing operations that are necessary for the overall movement of capital. Their profits are operating profits: 'profits-on- enterprise'. This is not true of interest bearing capital - which Marx now comes to consider in Part V of Volume III.

In order to develop the forces of production at its disposal, capital seeks to concentrate the means of production on an ever larger scale. In exploiting every economy of scale, in intensifying the division of labour, the minimum unit of productive capacity in most industries tends to grow. The consequent expansion in the scale of production means that the minimum value of capital necessary to set a particular circuit of industrial capital in motion will also tend to grow ever greater. Sooner or later the mass of capital required to set up or expand production will go beyond the resources of even the most prosperous capitalist. As a result more and more industrial capitalists are obliged to borrow money rather than merely employ their own. This is done by drawing together the numerous idle hoards of money of the population at large; either direcUy by forming joint stock companies and the sale of shares, or indirecdy by bank loans in which the bank draws together the money deposited with it and lends it out to the industrial capitalist.

This lending of money, not merely as money but as money-capital, constitutes interest bearing capital, which for Marx forms the basis of interest in the capitalist mode of production.

In order to borrow the money-capital required to set the industrial circuit of capital in motion the industrial capitalist is obliged to surrender part of the subsequendy produced surplus-value as interest to the lender. Thus, for the industrial capitalist who operates with borrowed money, part of the gross profit has to be paid out in the form of interest, leaving the remainder as profit-on-enterprise. What is more, as soon as the borrowing of capital becomes widespread this division of gross profit becomes firmly established as a quantitative division of every industrial capital's profit. Even those capitalists who do not operate with borrowed money-capital will still divide their profits between the interest they could have earned if they had lent their money-capital to someone else, and that part resulting from their own use of it - their profit-on-enterprise. The only difference being that in such cases the industrial capitalist pockets the interest for herself.

This division of gross profit between profit-on-enterprise and interest is not merely confined to industrial capital. Commercial capitalists, in response to the growing scale of production and the opportunities for their own

economies of scale, will require ever larger advances of money-capital and will therefore be obliged at some point to borrow money-capital. Thus their gross profits will also divide up between profit-on-enterprise and interest. Hence interest bearing capital becomes opposed to both industrial capital and commercial capital. It comes to define a distinct faction of the capitalist class whose income derives solely from its ability to extract interest by the mere fact of ownership or control of money-capital.

Interest bearing capital appropriates surplus-value in the form of interest by mere fact of passive ownership rather than from any active function within the process of production or circulation of capital. As Marx states:

Interest bearing capital is capital as property as distinct from capital as function. (Capital III, p. 379)

It therefore appears that interest bearing capital appropriates interest completely independently of either production or circulation. Even the industrial or commercial capitalist who owns the capital she employs will still come to regard that part of her gross profit which is counted as interest as arising as some 'natural' reward for the mere ownership of money-capital. A perspective reinforced to the degree that such a capitalist may withdraw from production or exchange and simply lend her money out as interest bearing capital. Only that part of profit made over and above interest appears as a result of the functioning of capital; that is, as profit-on-enterprise.

So, for all capitalists, interest bearing capital becomes opposed to profit- on-enterprise. This opposition may become so stark that it overshadows that between profit and wage-labour. As Marx comments:

Firstly, assuming the average profit to be given, the rate of the profit of enterprise is not determined by wages, but by the rate of interest.

It is high or low in inverse proportion to it.

Secondly, the functioning capitalist derives his claim to profits of enterprise, hence the profit of enterprise itself, not from his ownership of capital, but from the function of capital, as distinct from the definite form in which it is only inert property. This stands out as an immediately apparent contrast whenever he operates with borrowed capital, and interest and profit of enterprise therefore go to different persons. The profit of enterprise springs from the function of capital in the reproduction process, hence as a result of operations, acts by which the functioning capitalist promotes this function of industrial and commercial capital. But to represent functioning capital is not a sinecure, like representing interest bearing capital. On the basis of capitalist production, the capitalist

directs the process of production and circulation. Exploiting productive labour entails exertion, whether he exploits it himself or has it exploited by someone else on his behalf. Therefore his profit of enterprise appears to him as distinct from interest, as independent from the ownership of capital, but rather as the result of his function as a non-proprietor - a labourer. (Capital III, p. 379)

In fact this opposition may become so stark that in seeing herself as a labourer the capitalist comes to see her profit-on-enterprise as not a profit at all but a wage! As Marx proceeds to explain:

He [the functioning capitalist] necessarily conceives the idea for this reason that his profits of enterprise, far from being counterposed to wage-labour and far from being the unpaid labour of others, is itself a wage or wages of superintendence of labour, higher than a common labourer's, 1) because the work is far more complicated and 2) because he pays it to himself... The fact that his function as a capitalist consists in creating surplus-value, ie unpaid labour...is entirely lost sight of.... He forgets, due to the antithetical form of the two parts into which profit, and hence surplus-value, is divided, that both are merely parts of surplus-value, and this division alters nothing in the nature, origin, and the way of existence of surplus- value. (Capital HI, p. 380)

The division of gross profit into interest and profit-on-enterprise thereby gives rise to the ideological confusion that profits are merely wages of superintendence and that as a consequence there is no essential difference or conflict between the productive capitalist and the worker. But this is not all. Alongside this confusion emerges that which surrounds interest.

Interest appears to stand completely outside the process of the reproduction of capital. It seems not to emerge from the process described by the formula for the circuit of money-capital M-C...P...C'-M' but merely as M...M'. The expansion of interest bearing capital seems to be simply the innate property of a thing - that is, of money - rather than an aspect of a social process. Capital thus appears to grow as if it were a natural process like a tree or a plant, rather than from the social process of its exploitation of labour.

It is with interest bearing capital that capital reaches its most fetishized form. All the processes involved in the production and realization of surplus- value appear collapsed in the geometric progressions of interest over time. Interest presents itself as the inalienable right of capital to be paid regardless of who may starve as a consequence.

1. *Digressions into money and crisis*

So, in Part IV and the opening chapters of Part V Marx isolates the pure forms of commercial capital - money dealing capital and merchant capital - which then allows him to counterpose interest to profit-on-enterprise. In doing so Marx is able to uproot the misconceptions which arise in the minds of bourgeois economists that profit is merely a wage on the superintendence of production while interest is some innate property of capital as a thing independent of the exploitation of labour. Furthermore, Marx is able to locate and define the objective and material basis for the three principal and evident factions of the capitalist class.

Having shown how surplus-value is transformed into the forms of interest and profit-on-enterprise, and how this transformation appears within the everyday perceptions of bourgeois ideology, it would appear that Marx has, at this stage, fully elaborated his theory of interest insofar as his 'general analysis of capital' would allow. As he argues in chapter 22, the actual determination of the rate of interest depends on competition; it arises not from the production and circulation of value as such but from the division of surplus-value which may depend on a whole range of contingent factors that govern the supply and demand of money-capital. So any further investigation into the quantitative determination of the actual rate of interest would seem to lie in Marx's much promised work on competition rather than within the volumes of Capital. We may therefore conclude that with the conclusion of chapter 24, where he completes his exposition of interest bearing capital, Marx brings his theory of interest to a (provisional) close.

However, Marx does not stop here; he does not immediately move on to his analysis of the transformation of surplus-value into rent. On the contrary, a further 200 or more pages are devoted to the question of interest and credit. For much of these 200 or so pages we find Marx quoting at great length the views of various contemporary economists and commentators regarding the questions of money, interest and financial regulation, which are interspersed with Marx's own critical comments and observations. As Engels notes in his introduction to Volume ID:

The greatest difficulty was presented by Part V which dealt with the most complicated subject in the entire volume. And it was just at this point that Marx was overtaken by one of the above mentioned serious attacks of illness. Here, then, was no finished draft, not even a scheme whose outlines might be filled out, but only the beginning of an elaboration - often just a disordered mass of notes, comments and extracts. I tried at first to complete this part, as I had done to a certain extent with the first one, by filling in the gaps

and expanding upon passages that were only indicated, so that it would at least approximately contain everything the author intended. I tried this no less than three times, but failed in every attempt, and the time lost in this is one of the chief causes that held up this volume. At last I realised that I was on the wrong track. I should have had to go through the entire voluminous literature in this field, and would in the end have produced something that would nevertheless not have been a book by Marx. I had no other choice but to more or less cut the Gordian knot by confining myself to as orderly arrangement of available matter as possible, and to making only the most indispensable additions. (Capital III, p. 4)

So what do we find in these 200 or so pages that deal with the 'most complicated subject in the entire volume1?

Throughout the remaining chapters of Part V, Marx reviews in detail the opposing views involved in the controversy which surrounded the 1844 Bank Act, and, in the course of this review, we can see Marx drawing out the basis for a general theory concerning the relationship between the accumulation of real productive capital and money-capital. To understand the significance of this review of the 1844 Bank Act controversy we must examine the issues at stake in a little more detail, and this requires that we return to Ricardo and his theory of money.

As we have already noted, Ricardo's theory of accumulation precluded the possibility of crisis internal to the development of the capitalist system itself. Apart from external factors, such as wars or famines, the development of the capitalist economic system could be expected to be smooth and untroubled until it reached the ultimate point of stagnation due to the long term tendency for the rate of profit to fall. This preclusion of crisis rested, as we have previously noted, on Ricardo's embodied labour theory of value which implied that there could not be any fundamental divergence between the money relations of the economy and the underlying value relations of production. For Ricardo, money, being merely just another commodity, was neutral; it merely facilitated the exchange of commodities and did not itself substantially affect the relations of such exchange.

Following Ricardo's death, and the establishment of the Ricardian school as economic orthodoxy, it became apparent that both Ricardo's theory of money, and his theory of accumulation, had serious empirical weaknesses. Firstly, the cyclical crises that beset capitalist development with increasing severity from the 1820s onwards could no longer be denied nor explained away by means of external factors. Secondly, these crises were first and foremost financial crises. Far from being just another commodity, or a mere neutral facilitator of exchange, money appeared as the root cause of economic

crisis.

So what was it about money that was causing these ills of capitalist development which seemed to refute Ricardo's prognosis? Economic orthodoxy looked for a solution to Ricardo himself.

In his intervention in the bullion controversy of the early 1800s, which concerned the increase in the nominal price of gold bullion, Ricardo had warned of the consequences of the unrestrained issue of paper money. It was the increase in paper money, which was a direct consequence of the deregulation of the issue of banknotes, that had led to the fall in the real value of money and hence the increasing nominal price of gold bullion. Ricardo did not make explicit any link between the inflation of the nominal price of bullion and financial crisis, although it is clear that both he and his contemporary adversaries felt that it was an unsound outcome that ought to be avoided if at all possible. His successors, however, were quick to make the connection between the unrestrained issue of paper money, the decline in the value of money, and the periodic outbreak of financial crises. For them, like Ricardo's policy prescriptions with regard to the bullion controversy, the solution was to limit the issue of paper in accordance with the nation's gold reserve.

It had been on the basis of such a policy prescription that the 1844 Bank Act had been drawn up and passed into law. By rigorously restricting the issue of banknotes by the amount of gold held by the Bank of England this act sought to overcome, or at least mitigate, the periodic financial crises besetting British capitalism. But the 1844 Bank Act failed to avert financial and economic crises, and twice, before its eventual repeal, the government, at the height of such crises, was obliged to suspend its provisions in order to avoid the complete devastation of British industry. As a result this act stirred up a fierce controversy amongst bourgeois economists, bankers and politicians.

The advocates of the 1844 Bank Act, chief among them being the banker Lord Overstone, based their arguments on what became known as the Currency Principle. This Currency Principle sought to update Ricardo's theory of money so as to make explicit the link between the unrestrained issue of paper money and economic crisis, and thereby determine the correct policy with regard to the control and regulation of money. To consider their position it is therefore necessary to look at Ricardo's theory of money a little closer.

According to Ricardo, metallic money was inherently self-regulating so that the value of money, and hence the general price level, would be broadly stable. Any changes in prices would therefore be due to changes in the real relations that exist between commodities. The fundamental reason for this was that metallic money was a commodity, which, like any other commodity, had an absolute and intrinsic value dependent on the amount of labour

embodied in it. Thus in the long term, given that the conditions of production of metallic money remained more or less the same, the value of money would be given and it would be able to act as a constant standard of value with which all other commodities could be exchanged.

However, Ricardo recognized that in the short term there may arise quantitative imbalances between the amount of metallic gold produced and put into circulation and the amount of money required to circulate all the other commodities at prices corresponding to their intrinsic values. Of course such imbalances could be corrected like any other imbalances in the production of a particular commodity through the competitive transfer of capital between branches of industry. If there was too much metallic money, such as gold, being produced, for example, then the general price level would rise, reducing the relative price of gold. The production of gold would become less profitable, less efficient gold mines would close down and, as a result, the amount of gold-money in circulation would diminish, thereby correcting the imbalance between gold-money and all other commodities.

However, as Ricardo was aware, this self-regulating mechanism was not very efficient FirsUy, unlike most other commodities metallic money was not immediately consumed with the completion of the act of exchange. In fact metallic money had to remain in circulation over numerous transactions and was only withdrawn to the extent that it wore out. Consequently the production of metallic money served only to replenish worn out coinage and the relatively small increase in the amount of money required to accommodate economic growth. This meant that changes in the production of metallic money would be very small in relation to any imbalances which may arise between the amount of it in circulation and that required to circulate commodities at prices corresponding to their values. Only over the very long term would changes in the production of metallic money be able to assert themselves and restore the value of money. Secondly, in the case of a country with little or no precious metals production there arose formidable barriers to the operation of this particular self-regulating mechanism since any transfer of capital would have to surmount international frontiers.

So in the case of metallic money the normal self-regulating mechanism of commodity production was weak and only fully operated at a global level. To this extent Ricardo came to adopt Hume's quantity theory of money. The value of money, and thus inversely the general price level, would be determined by the quantity of money in circulation.

However, with the development of free trade across the world, Ricardo was able to identify a further self-regulating mechanism, which was far stronger than the competitive transfer of capital in and out of gold production, and which operated through the nation's balance of payments.

Any rise in the general level of prices due to a relative excess of gold in

circulation, it was argued, would lead to a flood of commodities imported from abroad, exploiting the comparatively high prices. This would then result in an outflow of gold as payment for these commodities. Contrariwise, a fall in the general level of prices would lead to an increase in exports and thus to an inflow of gold into domestic circulation. So through the balance of payments any imbalances in the amount of money in circulation would become corrected.

Given that gold was the basis for most major national currencies and served as the international means of settlement, Ricardo could argue that the international movement of gold in response to trade imbalances served as a rapid an effective regulator for the value of money throughout the world. As soon as the general price level of any particular economy stepped out of line, international traders would be quick to take advantage by diverting trade in order to gain profits or avoid losses. There would not be the delays which were required for the transfer of productive capital and changes in the level of gold production, only those involved in buying and selling and making the necessary shipments of gold and commodities.

So for Ricardo, the general level of prices, and thus the value of money, was, in any particular country, directly determined by the relative quantity of money to all other commodities, and this quantity was itself regulated by the international transfer of gold in response to international variations in price levels. This self-regulating mechanism meant that the structure of money prices would never diverge very far or for very long from the underlying value relations of production. Money therefore remained neutral, a mere means of circulation and a reasonably faithful measure of value.

The advocates of the Currency Principle accepted Ricardo's theory of the self-regulation of metallic money but they also observed that the crises of the 1820s and 1830s had involved violent variations in the general level of prices which could not be explained in terms of changes in the underlying value of gold. In the period preceding such crises, prices would rise rapidly, while with the onset of crisis prices would plummet below even the costs of production leading to widespread bankruptcies.

The reason the Currency Principle theorists offered for such observations was the widespread and unrestrained use of credit and paper money. With the large proportion of transactions carried out by means of credit and settled by means of banknotes and other forms of paper money which were only honoured inside the borders of a particular country, the international movements of gold had far less impact on the overall quantity of money in circulation. Furthermore, since money was easy and cheap to produce there was far less constraint on the expansion of the quantity of money by means of the issue of more banknotes. In fact, since the labour required to produce banknotes and other forms of paper money was negligible compared with its

face value, paper money could be said to have no intrinsic value - it was not commodity-money. So the self-regulation of metallic money was no longer sufficient for the regulation of the value of money once paper money had become the predominant form of currency through which commodities were circulated.

The answer to this problem offered by the Currency School, and which became enshrined in the 1844 Bank Act, was to establish a rigid link between the amount of banknotes that could be issued by the central bank - i.e. the Bank of England - and the amount of gold that the central bank held in reserve. So to this end the Bank Act prohibited the Bank of England from issuing more than £14 million worth of banknotes beyond the amount backed by its reserves of gold. Since the banking system was sufficiently centralized, the gold reserves of the Bank of England closely represented the national gold reserves from which international trade settlements were made. This meant that any imbalance in trade would be directly reflected in the level of the Bank of England's gold reserves. Now, since the issue of Bank of England banknotes formed the basis for the general issue of banknotes throughout the country, the provisions of the Bank Act meant that any changes in the gold reserves of the Bank of England would directly regulate the issue of paper money so that changes in the international balance of trade, caused by unwarranted changes in the national price level, would be able to regulate the quantity of money in circulation once more.

If prices were rising due to an excess of money in circulation, then imports would tend to rise to take advantage of such higher prices. To pay for these imports, importers would have to exchange banknotes for gold thereby reducing the national reserves of gold. This would lead to a fall in the gold reserves of the Bank of England which would then be obliged to curtail its Issue of banknotes, assuming they now exceeded the permitted limit. The decline in the quantity of banknotes in circulation would then tend to restore prices to their old levels and eradicate the imbalance in trade.

()n the basis of this legislated link between the Bank of England's gold reserves and its issue of paper money it was hoped that the self-regulation of metallic money could be extended to a currency dominated by paper money, thereby restoring the Ricardian conclusions of neutral money and crisis-free economic development. However, such hopes proved to be ill-founded. The crises of the late 1840s and the late 1850s both forced the suspension of the 1844 Bank Act. Far from averting or mitigating crises it became clear that the act exacerbated them. In both crises there arose a sudden contraction of credit as manufacturers found they could not sell their products and could not therefore meet the claims of their creditors on time. As a result the demand for cash payment rose dramatically increasing the demand for money. Yet the restrictions placed on the issue of banknotes by the 1844 Act meant that the

Bank of England could not accommodate this increased demand for money. Faced with the prospect of large swathes of industry going bankrupt for want of short term liquidity the government was obliged to suspend the provisions of the Bank Act.

These forced suspensions of the 1844 Bank Act fuelled the growing opposition to the Currency School. This opposition, led by the leading economists Tooke and Fullarton, challenged the basic contention that had been advanced by Ricardo that the relative quantity of money directly determined the general level of prices. If this quantity theory of money did not hold then the self-regulating mechanism of metallic money advanced by Ricardo and which the Currency School had hoped to extend to paper money through bank legislation would not work, and the justification for the Bank Act would fall to the ground.

The opponents of the Currency School took as their point of departure the observation that money did not merely act as a means of circulation and payment - that is, simply as currency - it also acted as capital. Money was borrowed and lent so that alongside the numerous commodity markets there existed a market for loanable funds; that is for money as capital. With this distinction between currency and capital the opponents of the Currency School were able to challenge the quantity theory of money.

Both Ricardo and the Currency School argued that an increase in the amount of money in circulation could only lead to an increase in the general level of prices to mop up this increase in the quantity of money. So if banks issue more money, prices would, as a result, rise. However the opposing school of thought argued that the amount of money in circulation which acted as currency was determined by prices. If the banks attempted to issue more money than that which was required to realize the prices of commodities then this excess of currency would merely find its way back to them in the form of increased deposits or would fall out of circulation in the form of private hoards. The return of such excess money as deposits would then swell the quantity of loanable funds that the bank could place on the money market, thereby increasing the supply of money capital and so reducing interest rates. So, with the amount of money that could act as currency fixed, any changes in the amount of money issued over and above this amount would serve to swell or contract the money market and with this the level of interest rates.

Having overturned the Currency School's fundamental contention that the quanuty of money determined the general level of prices it was then possible to argue that, far from avoiding crises, the Currency School's policy prescriptions had become their principal cause! As the economy grew, the amount of money required to act as currency to circulate the ever increasing mass of commodities would rise. Yet the 1844 Bank Act prevented the Bank of England from accommodating this necessary increase in the amount of

money acting as currency. Consequently a point would be reached when the amount of money in circulation would be insufficient to circulate the value of all the commodities produced. Commodities would not be able to find buyers for want of cash, while at the same time money would be withdrawn from the capital market in an attempt to make up the shortfall in currency, leading to rocketing interest rates. Crisis and panic would then break out. Only when the Bank Act was suspended could the necessary amount of currency be accommodated and the crisis resolved.

So while the Currency School argued that crises arose due a lack of control on the growth in the money supply and could therefore be avoided by greater monetary stringency, the opponents of this school of thought argued that crises were due to the restriction of the money supply and could be avoided by less monetary stringency. For Marx, both schools of thought grasped the problem of crisis in a one-sided manner since they both failed to see how financial crises were grounded in the contradictory relation between money as currency and money as capital. Both schools approached the problem of money crisis from the narrow perspective of the banker and thus both sought the solution in terms of banking policy and legislation. Yet such banking policy and legislation were no more the underlying cause of financial crises than they were their solution. Financial crisis were merely the most forcible expression of the fundamental contradictions of the capitalist mode of production; a fact that neither side in the controversy was willing to admit.

In reviewing each side in this controversy, Marx can be seen to be developing his own theory of money and crisis. A theory that was still in its infancy but one that we may still discern in outline.

That Marx rejects the quantity theory of money is made clear in his discussion of the role of money as currency in Volume 1 where he states:

...the quantity of the circulating medium is determined by the sum of the prices of the commodities circulating, and the average velocity of currency.... The erroneous opinion that it is, on the contrary, prices that are determined by the quantity of the circulating medium...was based, by those who first held it, on the absurd hypothesis that commodities are without price, and money without value, when they first enter into circulation...(Capital I, p. 123)

He therefore rejects the position of the Currency School that money acts merely as currency. Yet at the same time Marx also rejects the distinction made by the opponents of the Currency School between money as currency and money as capital. For Marx this distinction is misleading and arises from the narrow perspective of the banker. As Marx observes, money cannot be simply divided between that part which functions to circulate commodities

and that part which acts as capital since, as was shown in Marx's analysis of the circuits of industrial capital, capital must assume the form of commodity- capital in the course of its movement. In circulating such commodity-capital, money, functioning as currency, enters the circuit of industrial capital as money-capital. This becomes clear if we recall the circuit of commodity- capital which was set out in Volume II:

C' - M' - C ...P...C"

Here we can see money acting as both a means with which to circulate commodities - that is, commodities as commodity-capital - and as money- capital.

Of course money, in functioning as currency, does not necessarily act as money-capital since it may serve to circulate those commodities that fall within the circuits of revenue rather than those of capital. That is, money may act as currency by simply circulating commodities to the various classes for purposes of pure consumption rather than as means through which the value of such commodities may be expanded. So money as currency may act as money-capital or it may not, depending on whether it circulates within the circuits of capital or those of revenue. What is more, because the circuits of revenue are interlinked with those of capital money must necessarily pass from one to the other, taking on the form of money-capital at one time and discarding it at another.

Thus we can see that there can be no rigid distinction made between money as capital and money as currency. Attempts by the opponents of the Currency School to make such a distinction, as Marx details in his review of the controversy over the 1844 Bank Act, could only lead to all sorts of confusion and absurdities. Yet nevertheless this attempt to make a distinction between money as capital and money as currency did reflect a real distinction within the operations of money, albeit in a distorted and one-sided manner. This distinction was that which arose between money as currency and money as interest bearing capital (or moneyed capital). That is, the division that arises between money that serves the needs of circulation, whether of the circuits of capital or those of revenue, and money which represents interest bearing capital and which therefore stands outside the immediate process of the circulation of commodities.

As currency, money acts merely as a medium through which commodities circulate and as such it is intimately connected with the real accumulation of both commodity-capital and productive-capital. An accumulation of real productive-capital will bring with it a growth in the mass of commodities produced and with this the volume of currency required to circulate it However, that part of money which represents interest bearing capital stands

outside the process of production and circulation. It is therefore not immediately connected with the real accumulation of capital, although it is ultimately dependent on it - at least insofar as it is dependent on the appropriation of surplus-value in the form of interest. Hence, with this distinction between money as currency and money as interest bearing capital, we can begin to see how the monetary accumulation of capital is both dependent and independent of the real accumulation of productive capital. A contradiction that can then be identified as the fundamental basis for the periodic eruption of financial crises.

So, through his critical confrontation with the contemporary controversy surrounding the 1844 Bank Act, we can see Marx beginning to prepare the way for a theory of the monetary expression of crisis. In fact at numerous points within his critical commentary on this controversy Marx breaks off to tentatively develop various points concerning the contradictory relation between the monetary accumulation of capital and the accumulation of real productive capital in terms of both money as currency and money as interest bearing capital. Let us briefly consider this.

1. *Currency*

In chapter 28 Marx comes to explicitly address the question of the relation of money as currency to the real accumulation of capital. This he does by considering the variations in the volume of currency that occur in both the circuits of revenue and the circuits of capital throughout the course of the business cycle. In doing so Marx establishes that, even in terms of money acting as currency, there emerges a divergence and opposition within the unity of monetary and real productive accumulation of capital, as we shall now see.

In the phase of expansion production expands as prices rise, bringing with it a rapid increase in the mass of wages, profits and rents. With this growth in revenues the revenue circuits swell as capitalists, landlords and workers spend more on the consumption of commodities and services. Marx argues that this will require an increase in the volume of money acting as currency since the opportunities for extended credit or a higher velocity in the circulation of money are limited in these circuits of revenue.

In the circuits of capital, on the other hand, economic expansion is accompanied by an enormous growth in commercial credit. Economic confidence encourages capitalists to offer credit to purchasers in order to speed up sales, and to accept credit from suppliers in order to speed up the recommencement of production. This enormous growth in credit, which is accompanied by an rapid increase in the velocity of the circulation of money acting as currency, means that, despite the expansion in the volume of

commodity-capital which needs to be circulated, the same, or even in some cases, less, volume of currency is required than before.

Hence, while the demand for money increases in the revenue circuits, it remains the same, or even falls, in the circuits of capital. Yet all this changes with the onset of crisis and the subsequent period of economic stagnation.

The growth in credit during the period of expansion serves both to shorten the turnover period of capital and to free it from the monetary constraints of payment. At the same time, however, the reflux of money, which serves to socially validate commodities, and the labour embodied in them, becomes increasingly separated from the movement of commodities. As expansion proceeds credit becomes more and more speculative as the duration of credit lines lengthen. Sooner or later crisis sets in. Capitalists fmd that their expectations of profit were illusory yet they are still obliged to pay their creditors. With a sharp rise in defaults credit starts to dry up as everyone demands payment in cash. Consequently, the limits to accumulation become expressed in a sudden rise in the demand for money, not as a means of circulation, but as a means of payment to settle outstanding debts. In the subsequent period of stagnation the level of commercial credit remains low, and the demand rises for money as currency.

In the revenue circuit, however, widespread unemployment and depressed wages together with low profits and rents mean that the demand for currency becomes greatly contracted. Thus in the period of stagnation the volume of currency will tend to be high in the circuits of capital and low in the circuits of revenue.

With this preliminary analysis of money as currency it can be seen how monetary accumulation is closely connected with the development of the real accumulation of productive capital. Yet this connection is not one of simple congruence. With the extension of credit the accumulation of real productive capital gains a relative autonomy from the monetary constraints imposed by money as currency; it is able to step beyond the strict limits imposed by the necessity of money payments. Yet the accumulation of real productive capital can only free itself from such constraints for so long. Sooner or later the monetary constraint on the real accumulation of productive capital, and with it the unity of monetary and real productive accumulation, has to be forcibly reimposed through the eruption of crisis. Even in terms of money as currency, monetary laxity and monetary stringency are two essential but contradictory moments in the overall process of the accumulation of capital.

1. *Interest bearing capital*

As we have seen, it first appeared that, since money as currency is immediately connected to the processes of circulation and production, the

volume of currency would be directly related to the real accumulation of productive capital. Yet on closer inspection, with the distinction between the demand for currency in the circuits of revenue and in the circuits of capital, it became clear that even in terms of money as currency there was a limited relative autonomy between monetary accumulation and the real accumulation of productive capital. Now, with our consideration of Marx's analysis of interest bearing capital, we shall see that while at first sight moneyed capital stands outside the process of production and circulation, and thus appears as independent of the real accumulation of capital, on closer inspection it emerges that ultimately interest bearing capital is in fact dependent on the accumulation of real productive capital.

In Volume II we noted how in various ways the movement of money- capital may become detached, at least temporarily, from the overall movement of industrial capital. Money may be withdrawn as latent capital to ensure the continuity of production, as an amortization fund for fixed capital, or else be saved up to finance the necessary quantum of capital required to expand production or set a new individual circuit of capital into motion. Such latent capital, standing outside the day to day circulation of commodities, along with the concentration of savings from various social strata and classes, forms the basis for interest bearing capital. The investment of this capital brings with it a vast accumulation of what Marx terms fictitious capital: paper claims to interest payments that exist side by side, but also autonomously from, the real productive capital that they claim to represent. As Marx elaborates:

Titles of ownership to public works, railways mines etc.; are indeed...titles to real capital. But they do not place this capital at one's disposal. It is not subject to withdrawal. They merely convey legal claims to a portion of the surplus-value to be produced by it.

But these titles likewise become paper duplicates of the real capital; it is as though a bill of lading were to acquire a value seperate from the cargo, both concomitantly and simultaneously with it. For real capital exists side by side with them and does not change hands as a result of the transfer of these duplicates from one person to another They assume the form of interest bearing capital... To the extent that the accumulation of this paper expresses the accumulation of railways, mines, steamships etc. to that extent does it express the extension of the actual reproduction process - just as the extension of, for example, a tax list on moveable property indicates the expansion of this propeny. But as duplicates which are themselves objects of transaction as commodities, and thus able to circulate as capital-values, they are illusory, and their value may fall or rise quite independently of the movement of value of the real capital for which

In standing outside the immediate process of the reproduction of real productive capital there can be an enormous autonomous accumulation of such fictitious capital quite independent of the rhythms of the real accumulation of capital. In fact, insofar as the rise in the rates of interest which coincide with the onset of crisis tends to augment the value of fictitious capital, and to the degree that stagnation in production will divert investment into speculative paper investments, the accumulation of moneyed capital may well at times be the reverse of that of the accumulation of real productive investment

However, interest bearing capital, and the accumulation of fictitious paper capital, is dependent, as we have already noted, on the mass of money that is thrown out of the circuits of capital (and to a lesser degree revenue) as latent money-capital. It is also dependent on its ability to appropriate sufficient surplus-value in the form of interest, and is to that degree dependent on the continued production and realization of surplus-value. So ultimately the accumulation of fictitious capital is dependent on the real accumulation of productive capital. If the monetary accumulation of such moneyed capital proceeds beyond a given point then once the unity of the overall accumulation of capital will have to be reimposed in the form of crisis.

1. *Conclusion*

So, it can be seen that, through his critical review of the controversy surrounding the 1844 Bank Act, Marx was in the process of abstracting the preliminary elements for an analysis of the articulation of monetary accumulation with the accumulation of real productive capital which would have provided a vital part of his eventual theory of crisis. Yet Marx is in a very early stage of his investigation, and it is an investigation that once more transgresses the limits of the unity of capital and hence the principal line of theoretical development of Capital.

At this stage Marx is only able to offer a largely descriptive exposition of money and crisis. In relating how the volume of currency is related to the business cycle of real productive capital this cycle is taken as given. Marx is unable at this point to set out the precise conditions and necessity for the eventual outbreak of crisis and how this is related to money as currency. Nor is he able to go far in analyzing the precise conditions and necessity for crisis with regard to interest bearing capital. To do so would have presupposed not only Marx's promised theory of competition but also the integration of this theory of interest bearing capital and currency with that of latent and fixed capital; and the integration of his theory of money and crisis with that of the

falling rate of profit; and so forth. All this lies beyond Marx's exposition at this point.

So, for the third time in Volume III, we find Marx taking up an excursus only to find that it ends up in a tangential digression into the question of crisis. But once more this question is premature. Marx is again obliged to break off and return to his principal line of theoretical development - this time to his theory of the transformation of surplus-value into rent.

With each of these digressions Marx investigates a different aspect of the question of rupture and crisis. But being confined to the margins of Marx's exposition, as mere investigations that are merely adjunctive to his main presentation, these fragments on the question of crisis remain unconnected. Each fails to inform the other. As a consequence we can say that there is no unified general theory of crisis in Capital. Such a theory lies beyond Capital's remit. And we may add that the failure to recognize this has had important implications for Marxist theory, which has so often sought to assert one isolated fragment of Marx's theory of crisis against another, or else simply taken each in isolation.

But we cannot dwell on these implications here.11 We must now move on to complete our consideration of Volume III.

C) The conclusion of Capital

Wc have seen in some detail how in Volume III Marx presents his theory of the transformation of surplus-value into its distributional form of profit, and the division of this gross profit into interest and profit-on-enterprise. The next step for Marx was to show how a portion of surplus-value becomes appropriated in the form of rent by presenting his theories of absolute and differential ground rent which he had originally developed in his Theories of Surplus-Value. Since we have already dealt with Marx's theory of rent and its implications within the general structure of Capital at some considerable length we shall not repeat it here. Instead we shall move on to Part VII of Volume III which brings Capital to its abrupt close.

1. *The trinity formula*

At the surface of bourgeois society the categories of profit, rent and wages, appear as self-evident. Each appears as the due reward for the use of the three factors of production: capital, land and labour. In fact, insofar as profil-on- entcrprise is construed as a wage of superintendence, this trinity formula becomes interest on capital, rent for land and wages to labour. Yet, as the entire exposition of Capital aims to show, this conception of the trinity

formula, which bourgeois economy takes as its starting point, is merely the necessary appearance of the inner relations of the capitalist mode of production. Capital, land and labour are not things that are simply combined to produce wealth but are social forms that emerge with the appropriation of the means of production and natural resources by distinct classes in society and the consequent exclusion of the vast majority of the population from the means of creating wealth. The apparent cooperation of factors of production as simply a conjunction of things only serves to conceal the exploitative class relations of bourgeois society.

For Marx, classical political economy had the merit of attempting to go behind the trinity formula to unearth the inner relations of capitalist production and distribution; but it failed to reconcile these relations to their mode of appearance. Unable to free themselves from their bourgeois commitment to seeing the forms of bourgeois society as being both natural and eternal, they either had to be content with a theory that was inconsistent (like that of Smith) or else one that was consistent but which eventually ran into insurmountable contradictions (like that of Ricardo and his labour theory of value).

Vulgar economics, on the other hand, merely remained at the surface of the bourgeois economy and merely sought to elaborate the conception of the trinity formula. As Marx remarks while concluding his exposition on the trinity formula:

Vulgar economy actually does no more than interpret, systemise and defend in doctrinaire fashion the conceptions of the agents of bourgeois production who are entrapped in bourgeois production relations. It should not astonish us, then, that vulgar economy feels particularly at home in the estranged outward appearances of economic relations... (Capital III, p. 817)

By showing how the inner relations of the capitalist mode of production make their appearance in the inverted and disguised form of the trinity formula in the minds of the various agents of bourgeois society, Marx is able to make his critique of vulgar economics explicit. With the development of his presentation, from the inner relations of capitalist production to their appearance in the trinity formula, the failings of both vulgar economy and classical political economy stand exposed. Thus in returning to the trinity formula, the starting point of bourgeois political economy, Marx's critique of political economy appears complete.

With the completion of his critique of political economy it might appear that Marx was in a position to have reversed the provisional closure within his thematic with regard to the question of class struggle - the negative and subjective side of the dialectic of capital. That Marx was to some degree impatient to make such a reversal is evident from both his letter to Engels of 1867 that we quoted at the beginning of chapter 6, and from the final chapter on classes.

The final chapter of Capital, chapter 52 of Volume III, which follows directly on from Marx's analysis of the trinity formula, is directly concerned with the three 'great classes of bourgeois society'. Yet this chapter lasts little more than a page before it abruptly breaks off. Is this abrupt halt in Marx's manuscripts solely due to his repeated ill-health? Or has this sudden ending a greater significance?

A consideration of the material and economic basis of classes Ls undoubtedly the first step towards the question of class struggle. But to fully address this question the objective and positive dialectic of capital must give way to its subjective negation in the counter-dialectic of class struggle. Classes cannot be merely confined to being in-themselves - simple character masks for the impersonal objective forces of the economy and capital - but must consciously act and organize, become classes in and for-themselves. Such a development requires the mediation of crisis, the development of temporary centrifugal forces in the dialectic of capital that can break up and rupture the smooth operation of its objectification and reification. Yet, as we have seen, Marx's investigation into the theory of crisis, which becomes most explicit in the course of Volume III, is always tangential to the principal line of theoretical development contained in Capital. We find that crisis is always marginal to the text of Capital itself.

This marginalization of crisis is indicative of the second part of the provisional two-fold closure that is enacted within Capital by Marx's specific problematic of the critique of political economy. This closure, as we have repeatedly sought to stress, was a methodological necessity for Marx. It was through such a provisional closure that Marx was able to hold fast to the essential objective relations of the capitalist mode of production that are the material basis for classes and hence class struggle in the bourgeois epoch.

Yet having done this, Marx now had to reopen this closure so as to place rupture and crisis at the centre of his exposition. Yet, as our analysis of the imposition and consolidation of closure would seem to imply, to have done this would have required Marx to have retraced his steps right back to the commodity-form in order to now stress the difference and divergence rather than the unity of capital. He would have had to unfold his categories from the

embryonic form of the commodity as not the unity of its opposed aspects of value and use-value, but rather as the provisional unity of the contradiction of value and use-value.

Such a task was a formidable one, far greater than simply completing a chapter as such; it was a task that was clearly too great for the ailing Marx. Thus we find Capital inscribing a two-fold closure within Marx's thematic of capitalism and its overthrow. A closure that not only forecloses the question of class struggle and subjectivity but in doing so also closes off and marginalizes the question of crisis and rupture in order to stress the unity and possibility of the capitalist mode of production. All in order to be better able to make a critique of bourgeois political economy.

Having made a detailed exegesis of this provisional two-fold closure in the three volumes of Capital we must now step back and consider Capital and this closure as whole. In doing so we shall see once more how Marx makes his critique of political economy on the basis of his critique of Hegel.

Notes

1. This reduction of profit to mere interest on the use of capital is clearly set out in any elementary textbook on economics. However, often a small 'entrepreneurial', or 'normal' profit is assumed as a reward for the 'enterprise and risks' undertaken by the capitalist, which is then considered as the fourth factor of production alongside land, labour and capital.
2. This second conception of profit as a given mark up on costs has been

taken up by Post-Keynesian critics of neoclassical economics. The advantage of such an approach has been that it is has been able to develop a more cogent theory of price formation under monopoly capitalism as compared with neoclassical theory which begins from the

mythical notion of perfect competition. See for example Cowling

(1982). For a Marxist critique of such 'radical economics' see Fine & Murfin (1984).

1. So where would this 'missing chapter on the turnover of constant

capital' have been located in Part II of Volume n? Marx himself does not offer us any clues. We can therefore only look at the logical structure that we find unfolding in this volume. As we have seen, Marx begins Part II of Volume II by considering the overall circulation of industrial capital abstracted from its process of expansion. Until chapter 16 Marx is only concerned with the distinction between variable and constant capital insofar as it is in contradistinction to that of fixed and circulating capital. However, in

chapter 16 - The turnover of variable capital' - Marx comes to introduce the question of the expansion of capital in terms of the turnover of capital and, as it title suggests, this involves the problem of the turnover of variable capital and its relation to the production over time of surplus-value and simple and annual rates of surplus- value. This and the subsequent chapter - The circulation of surplus- value - can be seen as part of a transition to Marx's analysis of both the simple and expanded reproduction of capital of Part III. It would seem, therefore, that if Marx was to have included a chapter on the turnover of constant capital it would have most likely have fitted in just after Chapter 16 so that the annual rate of profit, and hence the degree of expansion of capital as whole, could have been derived before examining the expanded reproduction of capital.

1. As we shall see when we consider Marx's theory of the falling rate of profit in Part III, Ricardo located the limits of capitalism, and thus implicitly the location of crisis, in the limits to agricultural production. It is therefore no surprise that in developing his own theory of the barriers to capitalist accumulation against that of Ricardo, Marx should lake as his first staging post the relation between capitalist agriculture and capitalist manufacturing industries so as to grasp the moment of truth in the Ricardian perspective. However, it is clear that the limitations agriculture places on the accumulation of capital are not simply natural and hence external to the very process of capital accumulation.
2. In their attack on Marx's labour theory of value Steedman and other Neo-Ricaidians have attempted to show that Marx is inconsistent in equating at one and the same time the mass of surplus-value and the mass of profits and the total of money-prices and the sum total of labour-values. For a succinct reply to such criticisms see Anwar Shaikh (1984)).
3. For a detailed discussion of potential and actual value in Marx's value

theory, see Carchedi (1987).

1. For a comprehensive review of the role of 'Say’s Law' in the history of

economic theory, albeit from a neoclassical perspective, see Sowell (1972). This should perhaps be compared with Luxemburg's consideration of underconsumptionist theories in Luxemburg (1963).

1. See Reuten (1991).
2. The 'Okishio Theorem' is set out in Okishio (1961). For a detailed

discussion of the Okishio Theorem see Morishima & Calephores (1978). For a concise critique of such Neo-Ricanlian criticisms of Marx's theory of the tendency for the rate of profit to fall, see Fine & Harris (1979).

1. This finds its reflection in the perennial controversy amongst

accountants between historic and replacement cost accounting methods. See Bryer & Brignall (1986).

1. A comprehensive examination of Marxist crisis theory from the

classical theories that arose with the Second International to the modem theories of the regulation school is well beyond the scope of this work. For a concise historical review of Marxists crisis theories

as theories of capitalist breakdown, see Hansen (1985). For perhaps

the most comprehensive attempt to unite the classical Marxist crisis theories in terms of present day capitalist conditions, see Mandel (1975).

**11 The structure of closure in Hegel’s Logic and in Marx’s Capital**

**Introduction**

In our detailed analysis of the three volumes of Capital in the preceding chapters it was repeatedly contended that, at various points within the text, Marx came to put forward arguments that were tangential to the principal line of theoretical development that was being presented in Capital. Perhaps the most persistent and important of such digressions were those that raised the question of rupture and crisis which, as we saw, became increasingly apparent in Volume III. There, at several points, both in the exposition of his theory of profit and in his theory of interest, Marx came to pose the question of crisis only to leave it disparate and incomplete in order to return to more immediate and pressing theoretical issues. The implications that we have drawn from such digressions were that the theoretical development presented within the three volumes of Capital serves to impose a provisional closure within Marx's thematic of capitalism and its overthrow, so that such vital questions as rupture and crisis remain marginal to the text. From this we may conclude that, even in terms of Marx's general analysis of the objective laws of the dialectic of capital, in a fundamental sense, Marx is incomplete.

But what is this 'principal line of theoretical development' from which Marx digresses? How does it come to structure the three volumes of Capital? In this chapter we shall seek to answer these questions and thereby further substantiate the contentions that we have advanced in the previous three chapters.

At its simplest the overall structure of Capital may be represented as in follows:

Volume I: Production

Volume II: Circulation

Volume III: Distribution

Within this structure we may discern a two-fold theoretical development. Firstly, there is a movement from the abstract to the more concrete. In this movement we find that the abstract categories of Volume I become transformed into the more contingent and concrete categories of Volume III as they unfold through the successive mediations of circulation and distribution. Thus, for example, surplus-value of Volume I becomes transformed into the distributional categories of profit, interest and rent that we find in Volume III.

Secondly, along with this ascent from the abstract to the concrete, there is an oscillatory movement between essence and appearance, the envelope of which comes to inscribe an overall circular movement within the three volumes. Thus, Marx begins Volume I with the semblance of the capitalist economy as generalized commodity exchange and then proceeds to uncover its inner laws and essential relations by delving into the sphere of production itself. Having unearthed these inner laws and essential relations with his theory of surplus-value, Marx then proceeds to make the long return journey back to the outward appearance of the capitalist economy by showing how this essence must appear through its regulation of circulation and distribution. So Marx ends Capital where he began, with the outward appearance of the capitalist economy, this time in the form of the trinity formula that is evident to the analysis of vulgar economists. But in returning to this outward appearance, Marx ascends to a more concrete level of analysis.1

With this spiral-like theoretical movement, which comes to encompass all three spheres of the capitalist mode of production (i.e. production, circulation and distribution), it would appear that the line of theoretical development of Capital is complete, that it encloses all there is to a critique of political economy and with it a general analysis of the capitalist economy. Certainly, with the trinity formula this theoretical development comes to a point of rest. But is this the final point of rest as far as Marx's investigation of the dialectic of capital is concerned? Would the fragment of the chapter on classes, with which Marx breaks off at the end of Capital, have immediately opened out into the counter-dialectic of capital? Or is this fragment on classes a little premature, which explains why it could not be completed? Is it not possible that this point of rest is merely provisional, and that therefore the structure of Capital is open rather than closed?

**Marx's method and the structure of Capital according to Rosdolsky**

To answer this we must once again return with Rosdolsky to the original outline of Marx's plan of work.

According to the original outline the book on capital was to have had the

1. Section on capital-in-general
2. Production process of capital
3. Circulation process of capital
4. Profit and interest
5. Section on competition
6. Section on the credit system
7. Section on share capital

While the Grundrisse is taken to cover merely the first section on capital- in-general, Rosdolsky argues that Capital encompasses the essential contents of all of the four sections of the original plan, but within a changed structure.

The first two subsections of the section on capital-in-general were directly incorporated into Volumes 1 and II. The separate sections on competition, credit capital and share capital were dropped and their contents combined with the subsection on profit and interest to form, with the addition of the theory of rent taken from the discarded book on landed property, the basis for Volume M.

This change in structure, which arose between the Grundrisse and Capital, was due, according to Rosdolsky, to Marx discarding the original division of material between capital-in-general and many-capitals. Thus in order for us to understand the significance of the change in the original outline on the structure of Capital as it stands, it is necessary to understand what Marx meant by the terms 'capital-in-general' and 'many-capitals'.3

As Rosdolsky argues, in order to unearth the inner relations of capital, in order to draw out its immanent laws, Marx sought to abstract from competition within which these laws became manifest While competition between 'many-capitals' compels each individual capital to act in accordance with its own internal laws it does not produce such laws; it merely externalizes them. In fact in many cases, as Marx repeatedly points out, competition presents these laws in inverted form. Thus the initial task which faced Marx was to abstract from competition, credit and so forth which arise in the context of 'many-capitals' in order to define 'capital-in-general'. As Rosdolsky puts it:

Thus in order to be able to inquire direcdy 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'. (Rosdolsky, 1977, p. 42)

So what is the basis for this conception of 'capital-in-general' as distinct from 'many-capitals'? Rosdolsky answers this by arguing that 'capital-in- general' concerns those characteristics which all capitals have in common and which distinguishes capital as an historically specific form of wealth. Such characteristics are those which arise from capital as self-expanding value and the process of valorization that this self-expansion requires. As Rosdolsky himself explains:

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 production of surplus-value for its part, leads 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...

(Rosdolsky, 1977, p. 44)

Thus the 'chapter on money' and the first section of the 'chapter on capital' in the Grundrisse, which together provided the material for Volume I of Capital, are based on the methodological abstraction of 'capital-in-general'. An abstraction that allows Marx to grasp the essential relations of capital in the sphere of production through the more complex and mediated categories that appear at the surface of bourgeois society. But:

...the life-cycle of capital is not confined to the direct production process... The phase of production must be completed 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 ) and must therefore be understood without the reciprocal action of 'many-capitals'.

(Rosdolsky, 1977, p. 45)

Hence Rosdolsky argues that the second section of the 'chapter on capital' in the Grundrisse, the 'section on circulation', which provided the material for Volume II, was also developed on the basis of the methodological abstraction of 'capital-in-general'. The limitations of this methodological abstraction only arose, according to Rosdolsky, once Marx came to consider 'profit and interest'.

In the Grundrisse the distinction between profit and surplus-value, and thus between the rate of profit and the rate of surplus-value, is considered as part of the analysis of 'capital-in-general' in accordance with the original plan of work. As far as Marx's enquiry in section three of the 'chapter on capital' is concerned there is some justification of this. Since Marx at that point had yet to solve the problem of the transformation of values into prices (of production), he could only go as far as to distinguish profit in general from surplus-value in general, which was still strictly compatible with the methodological abstraction of 'capital-in-general' since it did not directly involve the reciprocal action of 'many-capitals'.4 However, once Marx came to present his theory of 'profit and interest' a few years later in Volume III of Capital he had to go beyond the limited results of this section of the Grundrisse.

In developing his theorization of both the qualitative and quantitative transformation of surplus-value into profit, and with it the transformation of values into prices and the formation of a general rate of profit, Marx had to explicitly introduce the question of the competition between 'many-capitals'. It was only in terms of the reciprocal action of several capitals that Marx could show how the inner laws of the capitalist mode of production necessarily appear at the surface of the capitalist economy in movements of price, profit, interest and so forth.

Rosdolsky concludes from this that the methodological division of material made by the distinction between 'capital-in-general' and 'many-capitals' becomes redundant and is therefore dropped when Marx came to write Capital. So:

...the distinction between 'capital-in-general' and 'many-capitals', which forms the basis of the Rough Draft [i.e. Grundrisse], also represents, first and foremost, a 'blue-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. (Rosdolsky, 1977, p. S3)

Dropping this distinction between capital-in-general’ and 'many-capitals' as the primary division of material did not mean that Marx came to reject the countcrposing of essence to appearance, as Rosdolsky himself is anxious to

make clear. Instead he argues 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.

(Rosdolsky, 1977, p. 52)

From this it can be seen that Rosdolsky views the change in structure that occurs between Grundrisse and Capital as revolving around the primary methodological division of material. In the original outline the division is that between 'capital-in-general' and 'many-capitals', while by the time of writing Capital this had become a division between the 'general analysis of capital' and 'the theory of competition'. In the revised division of material most of what would have comprised the analysis of 'many-capitals' is taken to have been included in the 'general analysis of capital'.

The claim that with Capital Marx established a revised methodological division of material is supported by numerous references made by Marx in the course of Capital where he repeatedly postpones certain points to a fuller discussion within a future work on 'the theory of competition'. For instance towards the end of Volume III Marx remarks:

In our description of how production relations are converted entities rendered independent in relation to the agents of production, we leave aside the manner in which inter-relations, due to the world market, its conjunctures, movements of market prices, periods of credit, industrial and commercial cycles, alternations of prosperity and crisis, appear to them as overwhelming natural laws that irresistibly enforce their will over them, and confront them as blind necessity. We leave this aside because the actual movement of competition belongs beyond our scope, and we need present only the inner organisation of the capitalist mode of production, in its ideal average, as it were. (Capital III,: p. 831)

Referring to this and similar remarks in Capital Rosdolsky comments in a footnote:

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 the prices of production), and the study of competitive struggles on the world market.

Because Rosdolsky implicitly views Capital as Marx's ultimate work, and thus essentially complete and closed, he fails to extrapolate any further from this revised methodological division of material that arises with the distinction between the 'general analysis of capital' and the 'theory of competition'. For Rosdolsky, the 'eventual continuation' of Marx's work to deal with the 'theory of competition' is merely peripheral to the 'general analysis' of Capital itself. So peripheral that it warrants little more than a footnote in Rosdolsky's commentary.

Thus while Rosdolsky in his seminal work The Making of Marx's Capital makes an inestimable contribution to our understanding of the methodological underpinnings of the structure of Capital and the development of this structure from Marx's original plan of work of 1857, his efforts are, for our purposes, ultimately limited. While he shows the importance and limitations of the methodological division of material that emerges with the distinction between 'capital-in-general' and 'many-capitals' for Marx's original plan, and the tensions this produced which eventually forced Marx to go beyond this plan to formulate the structure within which Capital was finally written, Rosdolsky does not go on to consider in any detail the implications and problems that emerge with the revised methodological division between the 'general analysis of capital' and the 'theory of competition'. Instead he takes the question of this new division of material to be resolved within the presentation of the three volumes of Capital. Yet, as we have seen, the presentation within Capital, particularly that of Volume III, is far from being unproblematic. Within this very presentation there appears, at various points, a new process of enquiry in which the problems of separating the question of 'many-capitals' into a 'general analysis of capital' on the one side and a 'theory of competition' on the other seems far from being adequately resolved. We must therefore go beyond Rosdolsky to see the methodological process that is still at work within the structure of Capital itself.

In considering the methodology at work within the structure of Capital it is vital to remember the methodological importance of Hegel. As Marx himself remarks in the Afterword of the second German edition of Volume I of Capital:

The mystification which dialectic suffers in Hegel's hands, by no means prevents him from being the first to present its general form of working in a comprehensive and conscious manner. With him it is standing on its head. It must be turned right side up again, if you would discover the rational kernel within the mystical shell.

In its mystified form, dialectic became the fashion in Germany, because it seems to transfigure and to glorify the existing state of things. In its rational form it is a scandal and abomination to bourgeoisdom and its doctrinaire professors, because it includes in its comprehension an affirmative recognition of the existing state of things, at the same time also, the recognition of the negation of that state, of its inevitable breaking up; because it regards every historically developed social form as in fluid movement, and therefore takes into account its transient nature not less than its momentary existence; because it lets nothing impose upon it, and is in its essence critical and revolutionary. (Capital I, p. 20)

Capital can be seen as a first step in placing Hegel's dialectic on its feet. Through a critique of political economy Marx can be seen to provide the materia] basis on which to stand the dialectic. This intention may be illustrated if we consider the striking similarities between Marx's original plan of six books and the corresponding structure of Hegel's political work - Philosophy of Right.5 Capital can be seen to be both a critique of bourgeois political economy and, at the same time, a critique of Hegel. An attack on the twin pillars of classical bourgeois ideology: the pillar of classical liberalism represented by Smith and Ricardo, and the pillar of classical conservatism represented by Hegel.

While the critique of political economy provided the economic and material basis for the inversion of Hegel's dialectic, the critique of Hegel provided the dialectical form for the critique of political economists. In order to understand the structure and method of Capital it is therefore necessary to understand the dialectical form it takes, and the relation of this form to the dialectical logic of Hegel from which it is derived.

As has been widely recognized, the Hegelian influence is readily apparent in the Grundrisse and within the dialectical transitions of the value-form with which Marx opens Volume I of Capital. While this influence of Hegel becomes less explicit as Capital progresses it may still be readily discerned in terms of Marx's Hegelian conception of the relation of essence to appearance. In fact, as we have already noted, this conception structures the theoretical development within Capital - as Marx moves from the essential relations and inner laws of motion detailed in Volume I, to their mode of appearance in Volume III. In fact it is only by means of this Hegelian conception of the relation between essence and appearance that Marx is able to formulate his critique of political economy.

Yet, as wc shall now argue, it is not simply in terms of essence and appearance that we can fully grasp the significance of Hegel for the structure of Capital. If wc are to understand Marx's methodological conception of

'capital-in-general' and 'many-capitals' and so forth it is necessary to consider how Marx came to appropriate the Hegelian triad of the universal, the particular and the individual or singular that is set out in Hegels's doctrine of the Notion.

**Hegel's doctrine of the Notion and Marx's notion of capital**

While Rosdolsky is well aware of the importance of such Hegelian conceptions for Marx's methodological distinction between 'capital-in-general' and 'many-capitals' he does not make explicit the implications this has for our understanding of the structure both of the Grundrisse and of Capital. So what are these implications? How does Hegel's triadic conception of the universal, the particular and the individual or the singular, come to be reflected in the structure of Marx's critique of political economy, both in its process of enquiry and its presentation?6

*The doctrine of the Notion in Hegel's Logic*

Hegel introduces his triadic conception of, the universal, the particular and the individual or singular at the beginning of the third subdivision of his logic - that is, at the beginning of The doctrine of the Notion'. So what is the significance of this location in Hegel's Logicl In the first subdivision of his Logic - The doctrine of Being' - Hegel had opened with the triadic conception of Being, Nothing and Becoming.7 With this simple transition Hegel showed how thought, starting at the level of sensory perception, apprehends the world, at its most abstract, as process, as both constant and changing. However, thought could not remain with this abstract unity in which every perception is apprehended as a process of becoming. It must differentiate Being into determinate Being, into particular instances of Being. Abstract, indeterminate Being has to be made more concrete in terms of the multiple forms that confront sensory perception. Thus, for example. Being becomes a determinate Being in the shape of a tree, which is itself a process of Becoming (i.e. the tree grows, reproduces, dies etc.). Sensory perception, having fixed a collection of sensory impressions as a determinate Being, in our example a tree, distinct from other determinate Beings, is then able to describe the tree in terms of immediate qualitative and quantitative characteristics that are readily apparent. Thus, in our example, the tree may be described by sensory perception in terms of its colouring, number of leaves, its height and breadth, and so on.

However, the determination of Being through this descriptive procedure of sensory perception does not show what it is. The tree remains a mere

collection of sensory impressions that appear as random and contingent. Hence sensory perception gives way to the next level of thought which Hegel terms Understanding which is then dealt with in the second subdivision of his Logic - 'The doctrine of Essence'.

Understanding seeks to go beyond the mere description of things by attempting to reveal the underlying laws that govern appearances. Thus in our example, Understanding will seek to explain the tree in terms of a set of chemical and ecological processes which obey the general laws of chemistry and ecology. The tree no longer appears as an independent given fact but as the outcome of a complex chain of cause and effect in which it is brought into relation to other things. The immediacy of the categories of sensory perception consequently give way to the mediated categories of Understanding.

Yet in showing the web of interrelated processes and reciprocal actions that lie behind the independent and immediate appearances evident to sensory perception, Understanding comes to drive a wedge between the object and the subject The external world of objects appears independent of the mind of the subject. In its search for 'scientific' and 'objective' knowledge, Understanding takes thought as being no more than a mirror that simply reflects the objective world into the mind of the subjective ego. So ultimately Understanding reconstitutes the unity of thought, which was lost with differentiation of Being into determinate Being, but only in terms of a unified world of objects that stand opposed to the minds of individual egos. The unity of thought therefore finds itself objectified but at the same time divorced from itself.

However, Hegel argues that things can only appear to a conscious subject, just as the causes underlying those appearances can only be interpreted by a conscious subject. Hence the tree is not aware of its own blossoming just as it is not aware of the causes of this blossoming. It is only for us, as conscious subjects, that the blossoming of a tree, and the causes and purposes of that blossoming, can have any meaning. It is the activity of thought that constitutes the known world for us as knowing subjects. Yet to realize this, thought must rise above the level of Understanding to become self-reflexive at the level of Reason. It this this level of Reason which is dealt with in the third subdivision of his Logic.

Here, in The doctrine of the Notion', the abstract unity of thought, with which Hegel started his Logic in the form of indeterminate Being, now returns from its objectification in the world of material objects to the realm of thought. Yet through its objectification this unity of thought has become specified in the diversity of the objective world. It therefore returns as a concrete unity of thought, that is as the Notion. The immediacy of Being, and the mediacy of Essence, are now superseded in the Notion as the self-

mediating, self-determining totality of knowledge.

Hegel describes the Notion as follows:

The Notion is the principle of freedom, the power of substance self­realised. It is a systematic whole, in which each of its constituent functions is the very total which the notion is, and is put as indisolvably one with it. Thus in its self-identity it has the original and complete determinateness.

(Hegel, 1975, p. 223)

The Notion as Notion has, however, three distinct but inseparable moments: universality, particularity and singularity. As moments of a self-mediating totality each of these three moments must include each other. As Hegel puts it:

Universality, particularity and individuality are, taken in the abstract, the same as identity, difference and ground. But the universal is the self-identical, with the express qualification, that it simultaneously contains the particular and the individual. Again the particular is the difference or the specific character, but with the qualification that it is in itself universal and is an individual. Similarly the individual must be understood to be a subject or substratum, which involves the genus and species in itself and possesses a substantial existence.

Such is the explicit or realised inseparability of the functions of the Notion in their difference - what may be called the clearness of the notion, in which each distinction causes no dimness or interruption, but is quite as much transparent. (Hegel, 1975, p. 229)

For Hegel then, there can be no separation between the universal and individual existence, nor can there be mere contingent connections between them once they are understood to be part of the Notion. On the contrary, the individual is necessarily the particularization of the universal. A vital point which, Hegel argues, is not grasped in formal logic and its syllogisms, which seek to relate the universal, the particular and the individual in various contingent configurations of mere formal statements.

Hegel's Notion, which is none other than the totalization of thought as active mental labour, finds its materialist and historical analogue in Marx's conception of capital, the totalizing movement of alienated labour (both physical and mental). Hence when Marx speaks of 'capital-in-general' he is referring to generality in the sense of Hegel's universality of the Notion. Consequently, when Rosdolsky states that 'capital-in-general' refers to what individual capitals have in 'common' this must be understood in terms of the

The Notion is generally associated in our minds with abstract generality, and on that account it is often described as a general conception. We speak, accordingly, of the notions of colour, plant, animal, etc. They are supposed to be arrived at by neglecting the particular features which distinguish the different colours, plants and animals from each other, and by retaining those common to them all. This is the aspect of the notion which is familiar to understanding; and feeling is in the right when it stigmatises such hollow and empty notions as mere phantoms and shadows. But the universal of the notion is not a mere sum of features in common to several things, confronted by a particular which enjoys an existence of its own. It is, on the contrary, self-particularising or self- specifying, and with undimmed clearness finds itself at home in its antithesis. For the sake both of cognition and our particular conduct, it is of the utmost importance that the real universal should not be confused with what is merely held in common.

(Hegel, 1975, p. 227)

'Capital-in-general' therefore refers to what particular capitals necessarily have in common; that which characterizes every particular capital as capital. Furthermore, 'capital-in-general' must be shown to be self-particularizing; that is, it must be shown how 'capital-in-general' subsists within its particular forms and within individual capitals.

*Universality, particularity, and singularity of capital-in-general*

In the light of this Hegelian conception of the universality of the Notion, which in terms of Marx becomes 'capital-in-general', we can unravel the underlying structure of Marx's critique of political economy, a structure that is alluded to in a brief aside in the Grundrisse. Here Marx writes:

Capital I. Generality. (1) (a) Emergence of capital out of money.

(b) Capital and labour (mediating itself through alien labour), (c)

The elements of capital dissected according to their relation to labour (Product Raw material. Instrument of labour.). (2) Particularization of capital: (a) Capital circulant, fixe. Turnover of capital. (3) The singularity of capital: Capital and profit. Capital and interest. Capital as distinct from itself as interest and profit. II. Particularity: (1) Accumulation of capitals. (2) Competition of capitals. (3) Concentration of capitals (quantitative distinction of

capital as at the same time qualitative, as measure of its size and influence). III. Singularity: (1) Capital as credit. (2) Capital as stock-capital. (3) Capital as money market. (Grundrisse, p. 275)

Here we can see Marx conceiving the overall structure of his work as a series of triadic progressions whose terms are the universal, the particular and the singular. While this plan, in this precise form and content, was later abandoned, the basic triadic structure is still discernible both within the Grundrisse itself and in the three volumes of Capital. Both these works can be considered to cover approximately Part I of this plan - the generality of capital. Let us examine this in a little more detail.

In Volume I, and the corresponding parts of the Grundrisse (i.e. the 'chapter on money' and the first section of the 'chapter on capital'), Marx considers the generality of 'capital-in-general'. As we have seen, capital as a real universal is self-expanding value; that is, the fundamental and necessary feature of all capitals is that they expand and accumulate objectified and alienated labour as value. This is true of the total aggregate social capital as it is of its individual components.

Yet before 'capital-in-general' could be considered it was first necessary to show how it is presupposed. Consequently both Volume I and the main text of the Grundrisse begin by examining the presuppositions of capital. Through the dialectical transitions of the forms of value, from the commodity through money to its self-expanding form as capital, Marx shows how capital- in-general presupposes generalized commodity exchange in which labour- power itself has become a commodity.

Having examined the presuppositions of capital, Marx is then able to proceed to examine how 'capital-in-general' produces itself as self-expanding value through his theory of the production of surplus-value. In examining how 'capital-in-general' appropriates alien labour by subsuming the labour process and production to its own ends and dynamic, Marx abstracts from ’many-capitals' to consider 'capital-in-general' in terms of the production process of a singular capital. Through this abstraction the singular capital is stripped of all its specificity so that it can be considered as immediately reflecting the process of 'capital-in-general'. It therefore appears as the 'ideal' average of the movement of all real capitals. (It is on the basis of this abstraction that Marx is able to provisionally equate value with price throughout his exposition of the theory of surplus-value).

Volume I is then concluded by showing how, with the accumulation of capital, the presuppositions of capital are presupposed by capital itself; that is how the production and realization of surplus-value maintains the separation of the working class from the means of production, so that labour-power is reproduced as a commodity, and how capitalist production sustains

generalized commodity exchange through the production of wealth as commodities. With this conclusion capital is shown to be a logically self- mediating and self-determining systematic whole (cf. Hegel's Notion).

However, as we have noted, this universality of capital - as a self- determining systematic whole - must be shown to be self-particularizing. This particularization of 'capital-in general' is dealt with by Marx in his analysis of the circulation process of capital; that is, in Volume II of Capital (and the second section of the 'chapter on capital' in the Grundrisse).

Marx's analysis of the three circuits of industrial capital in Part I of Volume II shows the formal process of the self-particularization of ’capital-in-general'. If capital is to sustain itself as self-expanding value it must continually move back and forth between production and exchange, since surplus labour extracted in the production process can only be realized and validated as surplus-value in the act of exchange. This movement requires capital to take on and discard three specific forms; namely, money-capital, commodity- capital and productive-capital. We can see in more detail how this movement constitutes the formal self-particularization of 'capital-in-general' if we take the example of the circuit of money-capital.

The circuit of money-capital begins, both for the individual capital and for capital as a whole, with capital in its money-form. In the form of the universal equivalent (i.e. as money) the value of each individual capital is in a form that is indistinguishable from the value of all other individual capitals. In the homogeneous form of money the value of capital is purely abstract social labour and each particular capital is simply a fragment of the total abstract labour that has been objectified in production as a whole. Thus each particular capital is itself only a mere fragment of 'capital-in-general'.

However, capital cannot remain in this form; it must be transformed into commodity-capital if it is to sustain itself as self-expanding value. With this transformation of money-capital into commodity-capital each individual capital becomes specified in terms of the multiplicity of use-values required for each particular production process. The homogeneity and unity of the money-form is thereby replaced by the heterogeneity and diversity of the various commodities that constitute the commodity-form of each particular capital. Each particular capital comes to be distinguished from all other particular capitals by its own particular production process, which demands a distinct set of commodity inputs. Thus capital-in-general becomes particularized into the multiplicity of individual production processes required by the social division of labour and which together comprise industry as a whole.

With the transformation of commodity-capital into productive-capital each individual capital stands distinct and separated from all other individual capitals, directly concerned only with its own transformation of concrete use-

value. Yet it still persists as a representative of 'capital-in-general' since its production process is ultimately subordinated to the production and realization of surplus-value and thus to the preservation and expansion of itself as capital. The products of the individual production process must not only possess a transformed use-value but also must provide the newly expanded commodity-form for the next step in the circuit of this individual capital.

With the consequent transformation of the newly expanded commodity- capital back into money-capital, the diversity of the individual use-values which had been produced within the multiplicity of production processes becomes reunited within the unity of money. All the concrete labours that served to produce these use-values and which distinguished each individual capital, become recognized as abstract social labour. So each individual capital, in returning to its money-form, fmds that it is once more a homogeneous fragment of the totality of social capital. Thus we find that the movement of self-particularization of 'capital-in-general', which arose in the first phase of the circuit of money-capital (M—P), now becomes annulled by a contrary process of self-generalization with the concluding phase of this circuit of money-capital (P—M).

From this example of the circuit of money-capital it can be seen that, just as Hegel's Notion is a process that comprises three distinct but inseparable moments - the universal, the particular and the individual - so, homologously, Marx's 'capital-in-general' is one that involves real and material processes. Marx, therefore, had to proceed to examine in detail the real substantiation of this formal movement of the self-particularization/self-generalization of 'capital-in-general'. He had to show how this formal movement comes to subsume and overcome the common peculiarities and obstinacies of the production and circulation of material use-values, and how this gives rise to specific forms of the existence of capital. This he does in the second and third parts of Volume II.

In Part II Marx considers the substantiation of the movement of the self- particulaiization and self-generalization of 'capital-in-general' in terms of the circuit of the individual capital. The circuit of an individual capital becomes specified, and distinguished from other circuits of capital, firstly in terms of the time it takes to complete its circulation; that is, by its turnover period. This specification, as Marx shows, is dictated by the time required to both produce and circulate the particular use-values produced and consumed by the individual capital. Consequently, the individual circuit of capital does not establish itself as 'capital-in-general' by reference to the simple quantitative expansion of its own value, but through the temporal rate of this expansion; that is, with reference to its annual rate of surplus-value.

The particularization of capital does not only occur between individual

circuits of capital but also within them. In becoming substantiated within the process of the production and circulation of a particular commodity an individual capital must necessarily appropriate and subsume a multiplicity of material use-values required for the production of this commodity. Thus the individual capital itself breaks up into a multiplicity of parts. Some of these parts are able to circulate freely within the duration of the individual capital's turnover period. Other parts, faced with the peculiarities and obstinacies of the consumption of various use-values, become interrupted in one of the three phases, each of which belongs to a specific form of capital's existence common to all individual capitals and to capital as a whole. These forms being fixed and circulating capital, latent money-capital and latent commodity-capital, and so forth.

These specific forms of capital's existence come to establish themselves as 'capital-in-general' through their own particular mode of circulation. Thus, for example, while circulating capital freely circulates with every production period, fixed capital circulates, and affirms itself as being 'capital-in-general', only gradually through the wear and tear or obsolescence of the material forms within which it is trapped. With these various modes the rigid particularities imposed by the various material forms assumed by the different parts of each individual circuit of capital become dissolved within the generality of capital in the continuity of its movement.

However, it is not sufficient merely to substantiate the self-particularization and self-generalization of capital in terms of individual circuits of capital operating as if they were independent of each other. It is also necessary to grasp these individual circuits in their interconnection; that is, in terms of the metabolism of the totality of the social capital. This substantiation of the self­particularization and self-generalization of 'capital-in-general' is dealt with by Marx in Part III of Volume II with his schemas of the reproduction of aggregate social capital.

If capital as a social totality is to reproduce itself it is necessary that the multiplicity of use-values produced in one period matches those that are required for the commencement of production in the following period. As Marx shows with his schemas of the reproduction of aggregate social capital, this leads to the totality of social capital becoming specified in terms of the various departments and subdepartments of production. It is only if these departments are in the correct proportions to each other that social capital can sustain its own reproduction as a social totality, and furthermore, it is only through this reproduction of the totality of social capital that the individual capitals which are assigned to each of these departments and subdepartments are able to re affirm themselves as being 'capital-in-general'.

So from this we can see that with Volume II Marx comes to consider the particularity of 'capital-in-general', while in Parts II and III he considers the

real substantiation of this formal movement in terms of both the individual circuit of capital and circulation of capital as a social totality. This Hegelian progression from generality to particularity is, at least in terms of the Grundrisse, recognized by Rosdolsky. As he notes in passing:

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 abstract 'capital-in-general', because they 'characterise every kind of capital'... (Rosdolsky, 1977, p. 45)

To which he attaches the footnote:

Similarly the concept '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. (Rosdolsky, 1977, p. 45)

But, because Rosdolsky does not seek to go beyond the abandonment of the division of material between 'capital-in-general' and 'many-capitals', he does not go on to draw out the obvious implications of this Hegelian progression to designate Volume III as the presentation of the singularity of 'capital-in-general'. Instead it would appear that for Rosdolsky this Hegelian progression only goes as far as to structure Marx's investigation of the critique of political economy, as is evident in the Grundrisse, and was later abandoned along with the methodological division of material between 'capital-in-general' and 'many-capitals'. However as we shall seek to show. Volume III is indeed an exposition of the singularity of 'capital-in-general'. An exposition, which while abandoning the opposition of 'capital-in-general' to 'many-capitals', does not abandon the methodological conception of 'capital-in-general' in coming to consider 'many-capitals' but necessarily includes the multiplicity of capitals within it.

Let us begin our consideration of the structural designation of Volume III with Mara's transition from Volume II. With the schemas of the reproduction of aggregate social capital Mara showed that capital must not only produce the material use-values that are directly required for future production but also those required to sustain and reproduce the principal classes of the capitalist mode of production. Here we find that analysis of the subsumption of material use-values required by the overall circulation of capital, through

which the movement of self-particularization and self-generalization of capital is established, begins to give way to the question of the appropriation and distribution of surplus-value by the propertied classes. With this question the self-particularization and self-generalization of 'capital-in-general' come to be held within the unity of the singularity of capital-in-general insofar as the discontinuities in this movement of capital are contained within its overall continuity. But this singularity of capital is two-fold; on the one hand there stands the multiplicity of individual capitals, each of which acts as a singularity of capital containing its own various moments of self­particularization and self-generalization, on the other hand there stands the totality of social capital which itself stands as the singularity of 'capital-in- general'.

The capitalist class, and subsequently the class of landowners, does not appropriate surplus-value collectively as a social whole. On the contrary, surplus-value is appropriated by the disassociated capitalists in individual processes of production and is then realized as profit, rent or interest in the act of exchange. So the individual capital, as constituted by the de facto ownership of the disassociated individual capitalist(s), serves as the basic organizational unit for the appropriation of surplus-value and the realization of profit. The specific but opposed forms of the existence of capital that arose with the consideration of the particularity of the individual circuit of capital (such as fixing and circulating capital) now find their unity as particular organic functions in the individual capital's pursuit of profit. Hence the movement of self-particularization of ’capital-in-general' which occurs within the individual circuit of capital is now seen to be fixed and unified by the individual capital considered as a singular self-sustaining organism. From this we may say that the individual capital comes to express the singularity of 'capital-in-general', and is, as Hegel would have put it, 'the subject or substratum', which involves the genus and species in itself and possesses a substantial existence.

But the individual capital cannot exist in isolation. It can only realize profit, and thereby affirm itself as self-expanding value - as 'capital-in-general'

- in and against other individual capitals in the process of exchange. The individual capital is only one of many capitals whose reciprocal action on one another serves to constitute the totality of social capital. With the totalization of this multiplicity of individual capitals each one comes to be seen as a mere particular function of the totality of social capital. This totality of social capital now appears as the singularity of 'capital-in-general' which establishes its substantiality in the form of the money market, where as Marx states;

...capital is posited as a totality; there it determines prices, gives

*work, regulates production*, in a word, is the *source of*

This logical progression from the immediate singularity of the individual capital, through the mediation of the multiplicity of individual capitals, to the singularity of the totality of social capital is one that serves to structure Marx's theory of profit in Volume III. Let us consider how it does so in a little more detail.

Marx's conception of the individual capital with which he begins his theory of profit at the beginning of Volume III is no longer the same as it was during his exposition of the theory of surplus-value in Volume I. There the individual capital was only considered insofar as it was stripped of all particularity. It stood as the immediate representative of all capitals, as the abstract generality of capital as such. Consequently, the individual capital could be taken as a simple microcosm of the totality of social capital, its direct and immediate individual embodiment But now, at the beginning of Volume III, the individual capital can no longer be considered as the immediate representative of all other capitals, nor of the totality of social capital. While the overall continuity of the movement of an individual circuit of capital has served to resolve the particularization of capital within the singularity of an individual capital, this particularization is still preserved within this singularity. The individual capital now stands as a particular individual capital; an individual capital amongst many other such capitals. So implicit within the singularity of the individual capital, which serves to open Volume III and Marx's theory of profit, is the multiplicity of such individual capitals. An implication that soon becomes explicit in Marx's exposition of his theory of the transformation of surplus-value into profit8

In his examination of the qualitative transformation of surplus-value into the form of profit Marx shows that the surplus-value which the individual capital produces fust appears as the difference between the cost-price and the selling price of the commodity produced. This difference, which the individual capitalist takes as her profit, is seen to arise out of exchange; it is the 'profit of exchange'. Consequently, surplus-value appears as a fact external to the individual capital and which arises from the interaction of the individual capital with a multiplicity of other individual capitals. This becomes further confirmed once Marx goes on to consider the quantitative transformation of surplus-value into the form of profit. Here, as Marx shows, the particular value compositions of each individual capital give rise to a systematic and quantitative divergence between the surplus-value each individual capital produces and the profit that each one realizes in the act of exchange, thereby further obscuring the origin of surplus-value from the individual capitalist and worker.

So, as Marx's exposition of his theory of profit proceeds, we find a

transition of the singularity of the individual capital into a multiplicity of individual capitals. But Marx's exposition does not stop there. Marx goes on to show how the competitive interaction of 'many-capitals' produces a tendency for the rates of profit of individual capitals to become equalized, producing a general rate of profit, and as a consequence,a tendency for individual market prices to gravitate around given production prices. At the limit of this tendency each capital emerges as both a quantitative as well as a qualitative fragment of the singular totality of social capital. As such, each particular individual capital now stands, through the mediation of the competitive interaction of 'many-capitals', as a particular instance of 'capital- in-general'. Thus we find that, with Marx's examination of the formation of the general rate of profit and with it the set of production prices, the multiplicity of individual capitals is superseded in and through the singularity of the totality of social capital in which each individual capital is merely a functional part

From this we can see that, at least as far as Marx's theory of profit is concerned. Volume III is structured in terms of the singularity of 'capital-in- general' and that this necessarily involves the multiplicity of individual capitals - that is 'many-capitals' - and their competitive interaction. Thus we may conclude that Marx did not abandon his methodological conception of 'capital-in-general' when he replaced his original methodological division of material with that between the 'general analysis of capital' and 'the theory of competition'. In fact when Marx comes to speak of his 'general analysis of capital' we should take it to mean the analysis of 'capital-in-general'. An analysis that as it draws to a close, in true Hegelian fashion, sees its subsequent negation, the theory of competition, begin to emerge within it.

We may therefore represent the structure of the three Volumes of Capital as follows:-

Volume 1: The universality of 'capital-in-general'

Volume II: The particularity of 'capital-in-general'

Volume ID : The singularity of 'capital-in-general'

From this we may clearly discern the Hegelian structure within which Marx's principal line of theoretical development unfolds in the three volumes of Capital. And once more it would appear that the structure of Capital brings this theoretical development to a close. But is it sufficient for Marx simply to structure his critique of political economy in accordance with the dialectical logic of Hegel? Is it enough for Marx simply to substitute his materialist category of 'capital-in-general' for Hegel's idealist category of 'the Notion'? If it is, then where would this place the projected 'theory of

competition' in relation to Capital? To answer these questions we must once more place Marx's critique of political economy, as it appears in the three volumes of Capital, in the context of his broader thematic of 'capitalism and its overthrow'.

A homology of closure?

As we have argued, Marx's critique of political economy is merely the first step in the articulation of his broader thematic of 'capitalism and its overthrow'. As such it is primarily concerned with what capitalism essentially is: with the objective movement of the dialectic of capital that constitutes capitalism as an historically specific social totality. Yet, for Marx, implicit within this movement there lies the potential for capitalism's own demise, and with this demise the possibility of a future communist society. If Marx was to have gone beyond his critique of political economy to further articulate his broader thematic it would have been necessary for him to have explicated this potential in detail. He would have had to have shown how the dialectic of capital, through its inherent ruptures and crises, produces the objective conditions for the emergence of the counter-dialectic of class struggle which holds within it the possibility of the revolutionary overthrow of capitalism and thus of a future communist society. Yet such a departure would presuppose that Marx had not only overcome the ahislorical conceptions of the political economists - which he does through his critique of them - but also that he had overcome the suprahistorical conceptions of the Hegelian dialectic; both conceptions, in defence of the bourgeois order, deny in their own way the immanent possibility of communism.

In making his critique of political economy Marx, as we have seen, does not attempt to refute the categories of the political economists, but rather seeks to go beyond them by giving them a dialectical form. The political economists, as a result of their atomistic and analytical methodology, uncritically appropriated the conceptions of everyday economic discourse as the independent and empirically self-evident starting point for their analysis. They were not so much concerned with what such categories as wages, profits and so forth were, or how they arose, but with how they were externally related to each other. As a consequence the political economists, for all their insights, were able to avoid theorizing capitalism as an historically specific totality. For the political economists, capitalism could only appear as being both the natural and the only form that a 'civilized society' could take. Hence, for them, there could be no immanent possibility of communism.

Marx, however, did not simply take the categories of political economy as being fixed and self-evident. Instead, in the true spirit of Hegelian

philosophy, Marx critically examined both the logical and historical presuppositions of these categories and was therefore able to constitute capitalism as an historically specific totality. But while treating the categories of political economy dialectically was necessary for Marx to demonstrate the possibility of communism immanent within capitalism, it is not sufficient. The reason for this insufficiency is the suprahistoricism inherent within the Hegelian dialectic even in its inverted form.

As we have seen previously, for Hegel the dialectical movement of history was merely the means through which the suprahistorical World Spirit came to reveal itself within human thought - a revelation that found its culmination in the bourgeois epoch. For Hegel, history had served its purpose and was now at an end. Thus, for Hegel, there could be no question of a communist future.

Of course, in inverting Hegel's dialectic and articulating it in the materialist terms of political economy Marx goes a long way towards surmounting the suprahistoricism of Hegel. Marx clearly subordinates logic to history and this is repeatedly emphasized in the numerous historical digressions that he makes throughout Capital and the Grundrisse. Yet this is not enough. If the dialectic of capital is simply substituted for the dialectic of the World Spirit then capitalism may just as easily appear as the necessary culmination of history, albeit a materialist culmination rather than an idealist one.

In order for Marx to go beyond the suprahistoricism of Hegel it would have been necessary for him to show that capitalism is not only an historically specific totality but that it is also a transient totality. A totality whose continued identity can only ever be provisionally assured and whose very movement contains the possibility of its own supersession. It is therefore not enough for Marx simply to invert Hegel's dialectic and articulate it in terms of the categories of political economy; he must open up this dialectic which for Hegel comes to a close in the present epoch of capitalist society. Of course, as we have repeatedly noted, this opening up of the dialectic is present within the three volumes of Capital but it remains for the most part implicit Where it does come to the surface, in for example the digressions on crisis, it is always premature and hence marginal to the text. The reason for this is that in order to show what capitalism essentially is it is first necessary to show how it sustains itself in its identity. Marx therefore must stress the unity of the dialectic of capital over and above its oppositions and contradictions. As a result the three volumes of Capital come to be structured in close approximation to an inverted Hegelian logic. But the trajectory of the Marxian project points beyond this, and thus beyond the structure of Capital. The closure of Capital can only be provisional. A provisional closure that awaits the explicit opening up of its dialectical structure.

If we are to open up the Marxian dialectic we must understand how it comes to be provisionally closed. Thus we must once more return to Hegel's Logic to see how Hegel closes his dialectic and how this becomes transposed into the provisional closure within the structure of Marx's Capital. This time we shall focus our attention on the second subdivision of Hegel's 'doctrine of the Notion' - 'the Objective Notion'.

As we have seen, with the 'Subjective Nouon' Hegel showed how the knowing subject comes to consdtute her knowledge as a self-particularizing and self-generalizing totality - that is, as Notion. Yet for Hegel, if this totality of thought was to be true it could not be simply subjective since this would mean that it would be essentially arbitrary and contingent on the individual knowing subject. The Notion therefore had to be shown to be independent of the knowing subject, and in the that sense objective. The immediate basis for the objectivity of the Notion lay in its appropriation of the material world of objects common to all knowing subjects. But this was not a secure basis for the truth of knowledge since the material world of objects is outside and alien to thought, and its appropriation still depends on the active thought of the knowing subject. The knowing subject could only find a secure basis for her knowledge if, in her appropriation of the objective world, she comes to recognize herself as part of the work of a greater totality of knowledge. A totality of knowledge that is independent of each knowing subject and which is therefore both objective and subjective, and hence absolute.

So, in the Objective Notion' Hegel traces the path whereby the knowing subject, in appropriating the knowledge of the objective world, comes to recognize her knowledge as part of the absolute totality of knowledge. And it is at the end of this subdivision on the 'Objective Notion', where the knowing subject comes to recognize her thought as part of the Absolute, that we find the ultimate closure within Hegel's dialectical presentation.

Let us then proceed by sketching out in the simplest manner the principal stages in the course of Hegel's second subdivision of his 'doctrine of the Notion', in which the totality of thought becomes constituted by the knowing subject

The Subjective Notion, in confronting the material world of objects, finds its antithesis and negation in the totality of nature which Hegel here terms the object Yet at the very moment at which the Notion confronts this antithetical totality of nature it finds that it breaks up into a multiplicity of natural objects. As Hegel puts it:

The object is immediate being, because insensible to difference in

which it has suspended itself, while at the same time (as this identity

is only implicit identity of its dynamic elements) it is equally indifferent to its immediate unity. It thus breaks up into distinct parts, each of which is itself the totality. Hence the object is the absolute contradiction between a complete independence of the multiplicity, and the equally complete non-independence of the different pieces. (Hegel, 1975, p. 260)

In this quote we see Hegel setting out the fundamental problem of the objectification of the Notion: how it is possible to constitute the unity, and hence the certainty, of knowledge in the face of the apparent indifferent multiplicity of the natural world? To answer this Hegel proceeds to follow the development of thought's appropriation of this multiplicity of nature.

Thought first of all takes the immediate multiplicity of natural objects as given. As such each object is taken as being both independent and indifferent to all other natural objects, the totality of nature is therefore viewed as being no more than a simple and unsystematic aggregation of the multiplicity of natural objects. This constitutes the viewpoint of what Hegel terms formal mechanism. A viewpoint in which the world is taken as the outcome of random atomistic collisions and interactions.

However, this viewpoint soon emerges as being inadequate since it becomes clear that nature is not purely random and cannot be constituted only in terms of atomistic collisions. Natural objects come together to form systems and subsystems in which each constituent object is not totally independent or random. Thus thought, in recognizing this, proceeds from the viewpoint of formal mechanism, through what Hegel terms mechanism with affinity, to reach the highest mechanical viewpoint, which he designates as absolute mechanism. The example Hegel gives for such a viewpoint is that of the solar system. Here the objects of the system - the sun, the moons, the planets etc. - could all exist independently of each other, but they are combined together through the external relation of gravity to form a mechanical system whose movement can be precisely predicted. Thus thought comes to view the world as a mechanical system that combines otherwise independent and self-subsistent objects into a systemic whole.

This mechanical view of the world was one that pervaded the natural sciences in the early nineteenth century when Hegel was writing, yet despite this he was able to discern a further viewpoint that emerges within scientific understanding; that of chemism. While chemistry was usually regarded as a variant of mechanical thought Hegel argued that it exhibited a distinct graduation in the objectification of the Notion.

For Hegel, chemical reactions are an example of internal, rather than external, relations between natural objects, a fact which clearly distinguishes them from mechanical systems and relations. A chemical that reacts with

another chemical produces a third compound of which each of the chemicals are a part. But in this reaction both of the chemicals are themselves transformed. They are no longer in themselves what they were before the reaction took place. The chemical therefore becomes internally dependent in its relation to the compound of which it is part. Thus the whole, the compound, comes to structure and determine its parts.

However, chemical reactions can just as easily serve to break up compounds as to constitute them. There is no overriding tendency that can lead to the coalescence of objects into an overall internally related whole and thereby point towards the unity of the natural world. Such a tendency only emerges once thought goes beyond chemism and mechanism to consider the organic organism. This leads to the third level of the objectification of the Notion; that of teleology.

In living organisms the parts are not only dependent and determined by the whole (and the whole dependent on its parts), as in the case of chemism, but also the whole actively seeks to sustain and reproduce itself through its parts. The organism seeks to interact and appropriate the external world; subordinating it to its own ends and purposes ensures its survival as a living whole. At the same time the parts that make up this living organism become structured and determined in terms of the ends and purposes of the organism as a whole.

Since living organisms have an end and purpose they have to appropriate by thought teleologically. The process of cause and effect familiar to the viewpoints of mechanism and chemism (that is, in Aristotelian terms, efficient causation) is no longer sufficient. The process of cause and effect with which the living organism interacts with the external world can only be fully understood in terms of the ends and purposes of that organism (that is, efficient causation must be subsumed within a final causation). The importance of teleological reasoning becomes most clear once thought comes to consider the fully conscious and rational organism - the human being.

Human beings, as living organisms, seek to sustain themselves by subsuming the natural world of objects to their own subjective ends and purposes. Yet as conscious and rational organisms, human beings do so through design. The human being consciously formulates its design and then acts on the natural world in order to bring it into accordance with the subjective ends of this design. This she does by means of her knowledge of the natural world of objects. Thus while at the level of mechanism and chemism the subject appeared as radically opposed to the natural world of objects - as a mere observer - now we find the subject actively involved in this world and coming to know it. The objective world is now seen to become subsumed and negated by the conscious design and actions of knowing subjects - human beings.

Here, with the movement from the teleology of the organism to that of the human being, we find Hegel rapidly approaching the resolution of the subject/object dichotomy. However, such a resolution cannot be completed until Hegel is able to finally resolve the contradiction between the world of natural objects as a totality and the multiplicity of its parts; since without this resolution there can be no singular truth or absolute knowledge.

As we have seen, through the viewpoints of mechanism the conception of the whole developed from a mere simple aggregation of independent and indifferent objects to a system of externally related objects, while from the viewpoints of chemism the whole came to structure its internally related and dependent parts. At both these levels the constitution of the whole was purely accidental; it lacked necessity. Necessity only fully emerges with the purposeful actions of the organism; with a whole that seeks to sustain itself. Yet such wholes are themselves a multiplicity; they are only individual organisms amongst many within the natural world, and this is true of human beings.

Each human being has only a partial viewpoint of the world, and her subjective ends and designs, being so limited, may well find themselves in conflict with those of other individual human beings. The individual human being cannot therefore come to know the totality of the world through or her own limited and partial design and subjective ends. So we are still left with the fundamental contradiction of the objectification of the Notion which now appears in the form of the opposition between the totality of objective knowledge and the individuality of the human subject.

Hegel resolves this opposition within the identity of the Absolute Idea through what he terms the Cunning of Reason. Hegel argues that out of the conflicting designs of human beings the Cunning of Reason comes to reveal the absolute knowledge of God. The subjective ends of each individual become subsumed as the means (the efficient causation) for the designs of the Cunning of Reason, whose purpose is to continually recreate the absolute unth and goodness of God. In coming to recognize the work of the Cunning of Reason within her own knowledge of the world the individual knowing subject can come to recognize her knowledge as being absolute.

In the introduction to this section of the 'doctrine of the Notion' Hegel had criticized those who saw God as an external object divorced from the human mind. Now he is able to show how God reveals himself through human knowledge of the natural world. In coming to know the natural world as object, and acting upon it, humanity comes to know it as God's own design and creation. The totality of thought that is the Notion is now revealed as the totality of the thought of God.

But in invoking God Hegel brings the movement of the knowledge of the world to a halt. As Hegel then proceeds to argue:

The Good, the absolutely Good, is eternally accomplishing itself in the world: and the result is that it need not wait upon us, but is already by implication, as well as in full actuality, accomplished.

That is the illusion under which we live. It alone supplies at the same time the actualising force on which the interests of the world reposes. In the course of its process the Idea creates the illusion, by setting an antithesis to confront it; and its action consists in getting rid of the illusion which it has created. Only out of this error does truth arise. In this fact lies the reconciliation with error and finitude.

Error or other-being, when superseded, is still a necessary dynamic element of truth: for truth can only be where it makes itself its own result. (Hegel, 1975, p. 274)

Here we find most clearly expressed the kernel of Hegel's optimistic conservatism. The appearance of the world as a state of constant flux in which conflicting interests fight it out, is, for Hegel, ultimately an illusion that serves to hide the constancy of the Absolute. From the heights of philosophical and theological Reason the evils of the world emerge as mere moments of the constant and necessary recreation of the Absolute Good.

At this point, where Hegel completes his exposition of the 'Objective Notion' and begins the concluding section of his 'doctrine of the Notion' wc find the final closure within the Hegelian dialectic. The question that we must now ask is: how does all this become transposed into Marx? How is this reflected within Capital?

*The transposition of Hegel's 'Objective Notion'*

The key to understanding the transposition of Hegel's dialectic into the materialist dialectic of Marx is to remember that, for Marx, Hegel's system is a philosophical generalization of his reflection on bourgeois society. Bearing this in mind it is not hard to see that when Hegel comes to consider the development of the Notion as object and the contradiction between its unity and the multiplicity of the readily apparent objective world he is in effect posing the fundamental contradiction of bourgeois society; which is that it is, at one and the same time, a social totality and a multiplicity of disassociated individuals. This contradiction becomes mystified within Hegel because he takes as his object, not bourgeois society as such, but nature. Hence the problem of reconciling and resolving the diversity of individual interests and interactions within the unity of society as a whole appears as the problem of resolving the apparent multiplicity of nature within the unity of Reason. A problem that is both natural and eternal.

For Marx, who takes his object, not merely bourgeois society as such but

ils basis, the capitalist mode of production, Hegel's absolute contradiction becomes transposed as the problem of how the multiplicity of objectivized and alienated labours accumulated by the individual capitals become totalized within the totality of social capital: that is, a contradiction between the singularity of the individual capital on the one side and the singularity of social capital on the other. Yet just as this contradiction and its resolution brings Hegel's Logic to the point of closure by bringing him to the threshold of the Notion as Absolute, so transposed it does so with Marx.

To see the extent to which Hegel's Logic is homologous with Capital we must now return to the development of Hegel's objectification of the Notion and transpose it in terms of political economy and its critique.

From the viewpoint of formal mechanism the bourgeois economy as object breaks up before the eyes of the political economists into the multiplicity of its indifferent parts. Here we find the starting point for Marx in the semblance of capitalism as a society of general commodity production, or alternatively the multiplicity of firms and households that provides the basis for modem economic analysis.

But political economy cannot remain content with such a viewpoint. The next step must be to see the economy as a mechanical system that connects together the muldplicity of its individual parts. Hence political economy comes to embrace the viewpoint of absolute mechanism in which the various parts of the economy are externally connected as a system through the operation of market and price. Here the interactions of supply and demand, regulated and expressed through prices, ensure that the individual parts of the economy act together as a systematic whole.

This viewpoint of mechanism is sufficient for the 'vulgar' economists, and is evident in the neoclassical economic theories of today, but we can see in the more perceptive side of classical political economy a move towards what Hegel would have termed the viewpoint of chemism. By considering economic relations in class terms the political economists were able, at least implicitly, to show how the parts of the economy - land, capital and labour, for example - were not simply externally related but were dependent parts of a social whole. This insight was taken up and developed by Marx so that, for example, each individual capital emerges as the singular expression of capital- in-general, a dependent and presupposed fragment of the totality of social capital.9

Whether from the viewpoint of chemism or mechanism, the economy is viewed as pure object. Now, at the level of teleology, Hegel demands to know how the subject emerges within the object. The political economists, confined within their analytical methodology, are unable to go beyond the rigid separation of the subject and object. The economy is merely seen as an objective system through which wealth is produced and then distributed for

consumption. It is therefore merely viewed as a means with which human subjects are provided with their material wealth and subsistence.

Consequently, subjectivity cannot be seen by either the classical economists or the 'vulgar' economists as emerging within the objective, but is instead confined to the margins of their analysis as an exogenous 'psychological' factor that determines the shape of demand and supply. This becomes most evident with the 'trinity formula' in which the three class subjects of bourgeois society are considered in relation to the economy. Each of these subjects is taken to possess an objective 'factor of production' which is distinct and separable from themselves as subjects which they can then 'contribute to the production process'. Thus the capitalist contributes capital, the labourer contributes labour, while the landlord contributes land or natural resources. As a result each subject is then entitled to its due reward in accordance with the contribution they have made in the form of a share in the objective wealth produced in production. Thus we find that the 'trinity formula' rigidly separates the subject from the object, and ends with the object returning to serve the needs and subsistence of the subject.

Yet as Marx shows the 'trinity formula' is not a starting point but only a result that obscures the real relations of the bourgeois economy. Only the landlord can stand apart from the process of production as a subject; the capitalist and the worker are intimately involved.

Labour, as conscious human activity, cannot enter production already separated from the worker as subject. It has to be alienated from the worker in the very process of production with its objectification in the final product. In this process the subjectivity of the worker has to be subsumed within the objectivity of the production of the commodity. The subjective ends of the worker are thereby subsumed as mere means of the capitalists whose own subjective ends and designs direct production. So labour, as an alien object, does not precede capitalist production but is produced by it. In fact this alienation of labour is the very basis of capitalist production.

So in the example of labour we can see how the subject becomes subsumed and negated within the process of capitalist production and thereby how worker as subject becomes alienated to her objectification. We must now tum to the capitalist, whose perspective is after all that of the bourgeois political economist

The capitalist enters the production process alongside the means of production (which are none other than the objectified and alienated forms of past labour) and sets them in motion through or her appropriation of the labour of the worker. Through the activity of the worker the capitalist can be seen to realize her own subjective ends. After all the worker labours for the capitalist under her orders and to her ends. But the capitalist does not direct production immediately to produce her own ends (which exist distinct and

separately from production) but rather to produce profit through the extraction of surplus-value. The capitalist can only remain a capitalist insofar as her subjective ends can be subordinated to the production of surplus-value, and thus insofar as, at the limit, the capitalist becomes a mere personification of capital. The capitalist may only stand before production in possession of capital only insofar as she has sustained the capital as self-expanding value in the past (or can hope to do so in the future).

So capital, as a totality of self-expanding objectified labour, comes to subordinate human subjectivity, whether of the capitalist or the worker, to its own ends. It is capital that emerges as the identity of both subject and object. The capitalist economy does not serve human beings but rather human beings serve the economy. Capital is revealed as an objective force which operates beyond the wills and desires of human subjects which are merely means for its own dynamic. Here we have the crux of Marx's critique of political economy and an important moment in his critique of Hegel. But we are still left with one problem: how are the subjective ends of the individual capitalists constrained and subordinated to produce the ends of capital as a whole? How are the individual capitalists reduced to being mere personifications of 'capital-in-general'?

This problem directly corresponds to the problem Hegel faced of reconciling the totality of knowledge with the multiplicity of knowing subjects. A problem that as we have seen brought Hegel's dialectic to a close.

As we have seen Hegel finds his solution, and comes to close his Logic through the device of the Cunning of Reason which serves to unite the disparity of individual viewpoints within the identity of the Absolute. Yet it is not hard to trace the origins of this conception of the Cunning of Reason back to the classical political economists. In fact close inspection reveals the Cunning of Reason to be none other than the speculative philosophical generalization of Adam Smith's 'invisible hand'.

In considering the multiplicity of private self-interests that emerged with the division of labour of 'civilized societies' (i.e. capitalism) Smith had argued that such multiplicity was overcome through the mutual acts of exchange that lake place within the market. As he goes on to comment:

It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their own self-interest.

We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. (Smith, 1970, p. 7)

With each individual freely pursuant of their self-interest the common good will become maximized. As Smith later argues:

...by directing that industry in such a manner as its produce may be of the greatest value, he [the capitalist] intends only his own gain, and in this, as in many other cases, lead by an invisible hand to promote an end which was no part of his intentions. Nor is it always the worse for society that it was no part of it. by pursuing his own interest he frequently promotes that of society more effectively than when he really intends to promote it (Smith, 1970, p. 194)

For Smith the 'invisible hand' worked in two ways. Firstly, since each individual produces for exchange with others, then in order to maximize the wealth that they consume they must maximize the wealth that they create. Hence the free pursuit of self-interest leads to a maximization of the wealth created throughout society and thus of the common good. Secondly, the pursuit of self-interest promotes competition. Competition will ensure that prices will tend towards the 'natural prices' of commodities at which the full cost of wages, rent and profits which are required to bring the commodity to market are met. With market prices driven towards the levels of natural prices the continued supply of goods and services required to meet the demands of society is ensured. Over-supply of goods and services, or their shortages, tend to be eliminated, and the equilibrium and unity of the economy is maintained.

This idea of the 'invisible hand' has become central to bourgeois political economy, but it is not entirely rejected by Marx. When Marx comes to consider the opposition between the individual capital and the total social capital, he argues, in a similar vein to Smith, that this is resolved by means of competition. It is through competition that market prices are driven towards values, modified as production prices, and that profits become equalized. It Ls through competition that the individual capitals are compelled to act as 'capital-in-general' and the capitalist is reduced to acting as a mere personification of capital. With the 'invisible hand' Marx comes to stress the unity of capital and in doing so comes to close, albeit provisionally, his exposition of the dialectic of capital.

Of course the 'invisible hand' is not taken unaltered from Smith any more than the Cunning of Reason can be taken unaltered from Hegel. Just as the Cunning of Reason is transformed by its materialist inversion so must the 'invisible hand' be transformed by its dialectical transposition. In fact each provides the fulcrum for the inversion of the other. Let us examine this more closely.

Because Smith takes up the view of the capitalist, the supervisor of production, he is able to rigidly separate the object of production from the subject, the capitalist Consequently he is able to take production as being

subordinated to the designs and will of the capitalist. Production and exchange, the economy, therefore appear as merely a means to achieve subjective ends. There appears to be no problem of alienation of the subject within production since the ideas and expectations of the capitalist are realized by the labour of others. With this rigid separation of the object from the subject (which emerges from the bourgeois perspective of supervising production) production is seen as merely the production of objects; its production of the subject is obscured.

Unable to see that the capitalist production process produces wealth in a specific social form, Smith is unable to see how capital, as a social relation, takes on its autonomous power. How the subject becomes subordinated by capital as an objective force, and hence even the subjective ends of the capitalist are subordinated to the designs of capital as a social totality. Thus, while Smith views each individual capitalist's maximization of wealth as contributing to the common good, even if unintentionally, since he sees the objects of wealth as simply serving the ends of individuals and society, and production as a mere means, this is not so for Marx.

For Marx capitalist production is above all the production of capital. Capital, the endless expansion of value, becomes the end, and the subjective ends and designs of the individual becomes the means. The 'invisible hand' does not serve the common good of society as such, but of capital as an alien social totality.

This critical inversion of Smith's 'invisible hand', and with it bourgeois political economy as a whole, could not have been made if Marx had not learnt the importance of the interconnection of the subject and object through Hegel's dialectical logic. Yet Hegel, as a bourgeois philosopher, only saw the dialectic in terms of mental labour. His dialectic remained idealist. While Hegel did not rigidly separate the subject from the object but sought to show how the subject became objectified, he ultimately ran into the problem of realizing the unity of Absolute thought out of the multiplicity of individual knowing subjects. His solution was, as we have seen, to appeal to God through his Cunning of Reason. Through Adam Smith's 'invisible hand' Marx is able to demystify the Cunning of Reason in materialist and economic terms and with this fmds the solution to the corresponding problem in his exposition of the dialectic of capital, so that he can show the persistence of the totality of social capital as being constituted as a self-reproducing whole out of its disassociated parts.

Thus insofar as he allows competition to motivate Smith's 'invisible hand' - insofar as supply becomes equated with demand, market prices with values/prices of production etc. - Marx brings his dialectic of capital to a close. It therefore appears as the mere materialist inversion of Hegel's dialectic - and this is reflected in the structure of Capital. A HiaWtirj.1

process that finally finds itself at rest with its ultimate, and ever reoccurring, identity in difference.

In bringing his dialectic of capital to a close in this way, by making it homologous to Hegel's dialectic, Marx is able to articulate his critique of both Hegel and the political economists in their own terms. Yet such a closure, which becomes imposed within the three volumes of Capital, can only be provisional. There can be no ultimate identity for Marx, but rather there must be a repeatedly imposed unity of opposition. Since capital is not natural, it is not preordained by God, but is rather produced out of the historically determined actions of human beings, capitalism can be grasped as a transient historical form.

Throughout the three volumes of Capital, as well as in the Grundrisse, Marx, as we have shown, repeatedly points to the possibility of rupture, to crisis, and thereby underlines the precariousness of the unity of capital. Yet in order to make his critique Marx has to first emphasize this unity of capital, a unity testified by capital's persistence. It is only after Marx has established this unity that he could have fully presented the contradictions within this unity - its divergence - but this lay beyond the confines of Capital as it stands. Capital, in its presentation, is provisionally closed and as such possesses a structure broadly homologous with the closed dialectic of Hegel.

Conclusion

As we have see, Marx's principal line of theoretical development, presented within the three volumes of Capital, is articulated within a methodological structure broadly homologous to Hegel's dialectic of the Notion. By transposing Hegel's Notion as 'capital-in-general' Marx is able to construct the unity of capital as a social totality.

Marx's first enquiries into a critique of political economy, as is shown by the Grundrisse, set out, as Rosdolsky has argued, by dividing the material of political economy between that concerned with 'capital-in-general' and that concerned with 'many-capitals'. Yet this proved to be an inadequate methodological distinction. If Marx was to present his 'general analysis of capital' he had to incorporate the competitive interaction of 'many capitals', at least in part

While Rosdolsky is correct to argue that between the Grundrisse and the publication of Capital Marx came to drop the methodological division of material between 'capital-in-general' and 'many-capitals', this does not mean, as he concludes, that Marx abandoned the methodological thread of 'capital- in-general'. On the contrary, by abandoning his original methodological distinction, Marx was able to pose the singularity of 'capital-in-general' and

thereby, in effect, complete the transposition of the three moments of Hegel's subjective Notion into the structure of the three volumes of Capital.

Yet in transposing Hegel's dialectic of the Notion into materialist terms Marx comes to impose a closure within his exposition of the dialectic of capital and consequently within the structure of its presentation in Capital.

In incorporating 'many-capitals' and their competitive interaction into 'capital-in-general' Marx comes to impose a new methodological division of his material. Competition is only incorporated insofar as it is convergent; that is, only insofar as it motivates the workings of Smith's 'invisible hand', and thus provides the material inversion for Hegel's Cunning of Reason. Divergent aspects of the competition of 'many-capitals' were excluded. It is with this new methodological division of theoretical material that Marx seeks to define the limits of 'capital-in-general' and thereby his 'general analysis' of the unity of the dialectic of capital which is presented within Capital. Capital thereby becomes counterposed to its continuation, beyond this provisional closure, to the theory of competition, market prices and so forth.

This continuation is however not peripheral. Throughout the presentation of Capital Marx necessarily poses the oppositions and contradictions within the unity of 'capital-in-general' but finds himself pointing beyond the structure of this work, moving tangentially to its theoretical line of development. Repeatedly, rupture, dislocation and crisis appear, but are premature. They are foreclosed; confined to being immanent moments for a fresh enquiry. Yet Marx's dialectic must be open, it cannot be confined to an identity of difference like that of Hegel. The tangential moments of Capital must be bent back together to form a new presentation. But this lies beyond Capital itself; it underlies its incompleteness, and thus the incompleteness of Marx.

Notes

1. For a detailed consideration of Marx's method as a 'spiral movement' that oscillates between essence and appearance as it ascends towards 'reproducing the concrete in thought', see Banaji (1979).
2. (Rosdolsky, 1977, p. 12.)
3. Although this distinction between 'capital-in-general' and 'many-

capitals’ is vitally important for the understanding of the development

of Marx's methodology in both the Grundrisse and in Capital there has been relatively little discussion of its implications in English. However, for a recent exchange on such matters see Heinrich (1989) and Burkett (1991).

1. See Vygodski (1973).
2. Hegel's Philosophy of Right Marx's Original Plan of Work

III Ethical Life:

A) The Family

|  |  |
| --- | --- |
| B) Civil Society ( | Book on Capital Book on Landed Property Book on Wage-Labour |
| C) The State | The State |
| International Law | International Trade |
| World History | The World Market and Crisis |

As can be seen, the similarity between Hegel's Section on 'Ethical life' and Marx's original plan of work becomes particularly pronounced with the last three of his proposed six books

1. For attempts to directly relate the structure of Marx's critique of political economy to (he logic of Hegel, see Sekine (1985) and Uchida (1988).
2. Hegel's logic is set out in the first part of his Encyclopedia (see Hegel 1975) to which we shall refer in the discussion that follows, and in a more elaborated version in The Science of Logic.
3. See chapter 10.
4. Ricardo and the classical political economists are often reproached for their heroic aggregations' by the modem economist. Yet, committed as they are to an individualistic methodology, to what Hegel would describe as mechanism, they are themselves perennially troubled by the problem of aggregation, and hence the combination of otherwise independent entities into a greater whole such as the 'economy'. As such they can be seen to fall far below Ricardo and his contemporaries. For a critical discussion of individualist methodology, see Arthur (1988) and Meikle (1985).

12 The closure within Marx and the closure within Marxism

Introduction

We have seen how, in coming to focus on the problematic of political economy, Marx came to impose a provisional two-fold closure within his broader thematic of 'capitalism and its overthrow'. Thus we have seen how the Marxian project implicitly points beyond Capital, and hence how Marx is, in a fundamental sense, incomplete.

However, with the development of Marxism over the last hundred years, most Marxists have come to consider Capital as a closed work; a text that demands to be interpreted, supplemented or else applied, rather than a text that must point beyond itself. As a consequence, we contend that the provisional closure within Marx has become a final closure within Marxism.

To demonstrate such a contention would require us to answer the following two questions:

1. How did this provisional closure in Marx become a final closure within Marxism?

And

1. What have been the implications of this closure for the development of Marxism?

A comprehensive answer to either of these two questions lies well beyond the scope of this work. It would require a long and detailed historical account of the multitude of Marxist currents that have arisen since Marx's death. A task that would require a book in itself.

However, by way of a conclusion, we shall briefly examine two perennial controversies of twentieth century Marxism as an example of how the closure in Marx has become a closure within Marxism and the vital implications this has had. The first controversy we shall consider, which relates to the second

part of the two-fold closure that we have identified in Capital, is that which concerns the validity of Marx's labour theory of value. The second controversy is that which concerns human praxis and the importance of human alienation to Marx, an issue which relates to the first part of the closure that we found enacted in Capital. With the consideration of both these crucial controversies we shall be able to indicate the importance of recognizing the incompleteness of Marx.

1. Value

The rapid industrialization of Germany following its reunification in 1870 brought with it a dramatic growth in both the German workers' movement and its political expression, the German Social Democratic Workers' Party (SPD). By the late 1870s the advance of socialist ideas had reached a point where they had begun to seriously alarm the German ruling classes. In response Bismarck, the German Chancellor, launched a two-pronged offensive against the SPD. Firstly, he introduced the anti-socialist laws which severely, but not completely, restricted the political activities and organization of the SPD and its associated labour organizations. Secondly, Bismarck proposed a series of limited social reforms of benefit to the working class1 in order to diminish the appeal of socialism.

As a result of this two-pronged offensive by the German State against the advance of social democracy, the German workers' movement polarized into two main tendencies. Those who wished to sustain the SPD as a radically defiant socialist party looked towards Marx and Engels; those who sought to compromise with Bismarck, in order to maximize the benefits of his proposed reforms and to win his favour for the relaxation of the anti-socialist laws, looked back to the 'founding father' of the German workers’ movement, Ferdinand Lassalle.

It was in the course of this struggle between these two tendencies that Engels came to publish Volume II of Capital in 188S. The followers of Lassalle had sought to discredit the intellectual authority of Marx by claiming that he had plagiarized the German socialist economist Rodbertus in formulating his labour theory of value, which of course lies at the heart of Capital. In response, Engels argued at length in his introduction to Volume II of Capital that Rodbertus had done no more than adopt the labour theory of value put forward by Ricardo, and had gone no further than the early English Ricardian socialists in adapting it to favour socialism. Consequently, Rodbertus had failed to solve the fatal contradiction of the Ricardian system that emerged with the systematic divergence of prices from labour-values. For Engels the decisive advance made by Marx's labour theory of value was

that it was able to solve this contradiction by showing how prices must systematically deviate from labour-values through their transformation into production prices.

However, the solution to this problem was contained in the yet unpublished Volume III. Thus the critics of Marx would have to wait for the publication of this final volume before they could see the full and complete originality of Marx's labour theory of value and the advance it made over Ricardo and Rodbertus. While they waited Engels issued a challenge to anyone who could anticipate Marx's solution to this 'transformation problem'.

By the time of the publication of Volume III in 1894 Marxism had triumphed. With the adoption of the Erfurt programme in 1891 Marxism had become the official doctrine of not only the SPD but also of the newly formed Second International. Marxism had thereby become the dominant position within most of the European socialist movement With Lassalle and all other rival tendencies vanquished, Engels could be content in his introduction to Volume III to merely assess the various attempts that had been made to anticipate Marx's solution to the 'transformation problem' of the previous nine years.

However, the apparent unassailability of Marx and his labour theory of value was not to last for long. Eduard Bernstein, the co-author of the Erfurt programme and an erstwhile member of the radical Marxist wing of the SPD, launched a serious attack on the newly established Marxist orthodoxy in a series of articles which culminated in an open letter to the SPD conference in 1898.

With the lapse of the anti-socialist laws in 1890, and the period of relative prosperity that followed, Bernstein had come to the view that socialism could be achieved through the gradual reform of the existing capitalist society. The revolutionary rhetoric that predicted ever worsening economic crises, and the continued polarization of society into the two hostile camps of the proletariat and the bourgeoisie, which would sooner or later lead to social revolution seemed to Bernstein no longer relevant. It appeared in stark contrast to the day to day reformist work that he was involved in within the SPD and the wider German labour movement.

However, as a one time committed revolutionary Marxist and a close friend of the late Engels, Bernstein was reluctant to abandon Marxism altogether. Instead he sought to revise and update it to meet what he saw as the new realities. However, Bernstein's revisionism soon found itself having to strike at the heart of Marx's economic theory, the labour theory of value. We can identify three principal reasons for this rejection of Marx's labour theory of value.

Firstly, as Bernstein implicitly recognized, Marx's labour theory of value was the basis of his theory of surplus-value and hence of capitalist

exploitation. With the theory of suiplus-value Marx had shown how capitalist relations of production were inherently exploitative. It therefore followed that to end such exploitation it was necessary to overthrow the capitalist mode of production. For Bernstein, who now wished merely to reform capitalism, such a conclusion was unacceptable. For him the aim was no longer to transform the relations of production but rather to gain a more equitable distribution of the wealth and income generated by such capitalist relations of production.

Secondly, Marx's labour theory of value, as it stood, seemed to imply a highly restrictive defmition of productive labour. For Marx, only labour that directly produced surplus-value could be considered productive. However, one of Bernstein's main political contentions was that the concentration and centralization of capitalist production did not, as Marx had predicted, lead to the polarization of society, since, although artisans and petit bourgeois producers were progressively ruined and thereby proletarianized, capitalist development also created a new middle class of salaried government officials and managers and supervisors of the big private corporations. Insofar as the working class was to be seen as being based on productive labour, Marx's labour theory of value seemed to exclude this rapidly growing new middle class whose votes were vital for the parliamentary strategy favoured by Bernstein.

Thirdly, Marx's labour theory of value was, for Bernstein and his contemporaries, an important step in the development of Marx's theory of the tendency of the rate of profit to fall, and hence the question of the crisis and breakdown of capitalism. But for Bernstein the era of capitalist crisis was over. For him, the growth of giant cartels had replaced the 'anarchy of the market' by corporate planning. The problem was no longer recurrent economic crises but the public accountability of these giant cartels. Marx's theory of the falling rate of profit, and along with it his labour theory of value, for Bernstein, now appeared as redundant.

Revisionist criticisms of Marx have repeatedly surfaced in various guises since Bernstein, and for similar reasons they have been obliged to reject Marx 's value theory in favour of some radical bourgeois alternative. Bernstein's own retreat from Marx was no doubt hastened by the impact Bohm-Bawerk's short work Karl Marx and the Close of his System which had been published in 18% shortly after the appearance of Volume III of Capital.

In this work, Bohm-Bawerk, who was the champion of the newly ascendant neoclassical utility theory of value on the continent, had charged that Marx had failed to make good Engels's promise that the 'transformation problem' would be solved in Volume III. For Bohm-Bawerk, who was oblivious to Marx's method of abstraction, the theory of price and profit in Volume III directly contradicted the theory of value put forward in Volume I

in which prices were assumed to be equal to labour-values. For Bohm- Baweik this was no surprise, since for him, Marx, like all classical political economists, had made the error of trying to determine value solely on the basis of supply which inevitably denied the importance of demand side factors in the determination of value and price. As a result, to Bohm-Bawerk's way of thinking, Marx's theory was based on a one-sided abstraction that found insurmountable contradictions once it came face to face with the concrete problems of supply and demand.

While such arguments served to cast doubt on the validity of Marx's labour theory of value for Bernstein, he was unwilling completely to embrace neoclassical utility theory, with all the conservative implications that may have entailed. Instead Bernstein maintained an uneasy agnostic and pragmatic position:

At the outset, Marx takes so much away from the characteristics of commodities that they finally remain only embodiments of a quantity of simple human labour; as to the Bohm-Jevons school, it takes away all characterisics except utility. But the one and the other kind of abstractions are only admissible for definite purposes of demonstration, and the propositions found by virtue of them have only worth or validity within defined limits.

(Bernstein, 1961, p. 34)

Having cast Marx's labour theory into doubt, Bernstein then had to cast doubt on his theory of exploitation. But Bernstein still needed a basis with which to indict present bourgeois society. In the absence of anything better Bernstein was obliged to fall back on the purely empirical claim of the self­evidence of surplus labour. As he writes:

...surplus labour...is an empirical fact, demonstrable by experience, which needs no deductive proof. Whether the Marxist theory of value is correct or not is quite immaterial to the proof of surplus labour. (Bernstein, 1961, p. 35)

Bernstein's problems in finding a middle way between Marxism and neoclassical economics has been solved by more recent revisionist theorists by looking back to classical political economy, particularly that of Ricardo. In terms of value theory this return to classical political economy is largely indebted to the work to another turn of the century economist, Bortkiewicz.

As Sweezy has pointed out in his introduction to the English translation of Bortkiewicz’s On the Correction of Marx's Fundamental Theoretical

Construction in the Third Volume of 'Capital' (Bohm-Bawerk, & Hilferding, 1975), Bortkiewicz was one of the few remaining Ricardian economists who were still holding out against the remorseless advance of neoclassical and marginalist economic theory at the turn of the century. While Bortkiewicz would have had little sympathy for the socialist implications of Marx's theory he clearly saw in Marx's attempts to pose and resolve the 'transformation problem' the basis on which to salvage the Ricardian tradition. For Bortkiewicz, Marx promised not so much the critique of classical political economy but rather the realization of classical political economy. Hence, Bortkiewicz appropriated Marx as a classical political economist. An appropriation that, as we shall see, has been taken up more recently by the 'Neo-Ricardian school' of Marxist revisionists.

Bortkiewicz argued that, while Marx's transformation of values into production prices was basically correct, there remained an important technical error in Marx's solution to the transformation problem in that he had failed to transform the inputs that make up variable and constant capital of each industry into their respective prices. As a consequence, Marx's solution could only be regarded as a first approximation. To completely solve the problem, 'inputs' as well as 'outputs' had to be transformed into prices.

To do this Bortkiewicz, drawing on Marx's schema of simple reproduction, transposed Marx's transformation problem into a system of three simultaneous equations. Each equation represented one of three departments: Department I producing the means of production, Department II producing means of subsistence for the working class and a Department III producing luxury goods for capitalist consumption. In this way the output of each department entered as an input into the other departments. Then to each of the three output/inputs Bortkiewicz assigned a conversion coefficent which would transform their value magnitude into their corresponding price/cost magnitude.

This 'correction' of Marx's transformation problem has since been elaborated with the aid of modem matrix algebra to include an indefinite number of industries. The economic system then becomes represented in disaggregate terms as n industries, producing n commodities whose n values can be transformed into n prices. Given that we can standardize the system in terms of a particular commodity which then acts as the numeraire in terms of which the prices of all the other commodities are expressed, we have n unknowns, i.e., the n-1 conversion coefficent of all the commodities other than that of the numeraire plus the general rate of profit. With each industry represented as a particular equation, we have n unknowns and n equations. Hence, in general, the system is mathematically fully determined.

In 1960 Sraffa published his seminal work The Production of Commodities by Means of Commodities in which he sought to establish a fundamental

reconstruction of Ricardian political economy as a new and radical alternative to the prevailing neoclassical orthodoxy. Like Bortkiewicz, Sraffa was radically opposed to the marginalist and subjective utility theories of value put forward by neoclassical economics and looked to Ricardo and the classical tradition for an objective and materialist 'supply-side' theory of value and price. Yet unlike Bortkiewicz, and previous defenders of the classical tradition, who saw adherence to a labour theory of value as the essential dividing line between Ricardo and neoclassical economics, Sraffa argued that what was different about Ricardo's political economy was his search for an invariant measure of value. Ricardo's labour theory of value was merely an unsuccessful means to this end.

For Ricardo, an objective and invariant measure of value was a necessary prerequisite for political economy as an analytical and objective science. Indeed, it was vital if he was to adequately investigate the quantitative distributional relations which arose between the three great classes of bourgeois society. For Sraffa, it was in the course of this search for an objective and invariant measure of value that Ricardo had come to adopt a labour theory of value. Labour presented an obvious choice. Not only was labour required in the production of all commodities, its quantity could be taken as being determined by the technical and objective conditions of production in any particular industry prior to any process of exchange or distribution. Hence the labour time embodied in any particular commodity would establish the commodity's value which would only then be broken up into the three forms of revenue - profit, rent and wages - in the subsequent process of exchange and distribution.

However, as we have previously noted, Ricardo's labour theory of value foundered with his failure to either pose or solve the 'transformation problem'. It was his failure to reconcile the fact that commodities did not exchange directly in accordance with their labour-values due to variations in the composition of capital that had eventually led to the downfall of the Ricardian tradition and the rise of neoclassical economics from its ruins.

However, for Sraffa, since it was a search for an objective and invariant measure of value that was essential to Ricardo, rather than a labour theory of value, the project of reconstructing Ricardo's political economy did not necessarily imply a solution to the transformation of labour-values into prices, which had been central to previous attempts to salvage Ricardo. On the contrary, as Sraffa saw it, Ricardo's adoption of a labour theory of value was at best an arduous detour, and at worse a dead end, en route to an invariant and objective measure of value. Thus unlike Bortkiewicz, Sraffa did not seek a solution to the 'transformation problem' - he did not look to Marx - but instead abandoned Ricardo's labour theory of value and sought to reconstruct Ricardo on a radically new basis.2

In place of labour time embodied in commodities as the starting point of his value/price theory, Sraffa took the actual physical quantities of commodities technically required for production. On this new basis Sraffa constructed an input/output analysis that represented the self-reproducing economy as a set of simultaneous equations in a manner similar to that of Bortkiewicz's 'correction' of Marx's solution to the 'transformation problem'. However, whereas Bortkiewicz had specified his system in terms of the embodied labour times, Sraffa specified his system simply in terms of the diverse quantitative measurements of the commodity input/outputs.

The production of each commodity requires a technically determined quantity of other commodities as inputs. If the system is to reproduce itself then the output of each commodity must be able to exchange for at least the necessary quantities of other commodities that act as the inputs for its production. With the distribution of any surplus determined by the general rate of profit (or alternatively the supra-subsistence wage), the ratio in which commodities must exchange with each other becomes determined as a solution to a series of simultaneous equations.

Thus, whereas with Bortkiewicz the series of simultaneous equations was used to transform labour-values into prices, with Sraffa the homologous mathematical procedure is used to transform a set of technical specifications determining the various quantities of commodity inputs and outputs - technical coefficents - in each industry into a set of exchange ratios or 'prices'. Again, with a numeraire commodity, we have n unknowns, the prices of all the commodities except for the numeraire which is taken as unity, plus the rate of profit, and n equations representing the production process for each commodity. So, in general, Sraffa can define a mathematical solution to his system.

Having established that this system could be applied to any degree of disaggregation so long as the number of commodity prices equals the number of production processes, Sraffa was then able to proceed to address three vital questions posed by his proposed reconstruction of Ricardian political economy. Firstly, with the rejection of a labour theory of value, what was to be the objective and invariant measure of value? Secondly, could the invariance of this measure be sustained in the face of varying compositions of capital? And thirdly, could this measure be used to explore the question of distribution between the three great classes?

For Sraffa, Ricardo's choice of labour as a standard with which to measure both value and the distribution of the economic surplus between wages and profits was essentially arbitrary. Indeed, as far as Sraffa was concerned, Ricardo could have chosen any liasic' commodity - that is, any commodity that enters either directly, as means of production, or indirectly, as means of subsistence of the workers, in the production costs of all other commodities -

as his standard. As such, for Sraffa, Ricardo's choice of labour as the measuring rod of value fell foul to the same insurmountable problem that confronted any attempt to single out a 'basic' commodity as an objective measure of value; that is, the problem that the price or value of any single standard commodity would itself be dependent on the rate of profit, and hence the distribution of the surplus between profits and wages, which it was designed to measure.

As Sraffa, demonstrated, it is only in the rather exceptional case in which the standard commodity enters as an input into the production of all other commodities in the same proportion as it is itself produced as part of the economic surplus that the value or price of this standard commodity will remain invariant to changes in the rate of profit, and therefore be able to provide an invariant objective measure. In all other circumstances the choice of a single "basic’ commodity is not sufficient to provide an invariant and objective measure.

As a solution to this problem, Sraffa proposed to use as a measure a standard composite commodity which would made up of all 'basic' commodities, in such proportions that, as a composite commodity, they would enter as inputs in the same proportions as they appeared as outputs in the economic surplus. Sraffa then proceeded to demonstrate that for any 'economic system' it was possible to mentally construct a standard composite commodity which could then be used as an invariant and objective measure of value which could be used as measure of the distribution of the economic surplus.

The next problem was to see if this invariant measure could hold up in the face of fixed capital, the very stumbling block that had proved insurmountable to Ricardo's labour theory of value. Sraffa's initial system, like that of Bortkiewicz, had excluded fixed capital. All means of production were assumed to be consumed in one production cycle. How could Sraffa's system, which was based on the simultaneous production of commodities, be extended to the case of fixed capital, which by definition required the consumption of the means of production to persist over several production cycles?

Sraffa's innovative solution to this problem was to regard the problem of fixed capital as a special case of joint production. Joint production arises when an industry or technical process produces more than one type of commodity as an output The famous example being sheep farming, which produces both wool and lamb. It was relatively easy for Sraffa to extend his system to take account of joint production. So long as it was assumed that there existed alternative economically viable production processes to produce the commodities in question, so that the number of commodity prices still equalled the number of production processes, then the number of unknowns

will still equal the number of knowns and hence a mathematically determinate solution remains possible.

Now, how can fixed capital be regarded as a special case of joint production? Let us consider the simple case of an industry that produces in the time of one year a single type of commodity, which we shall denote as x, and with the aid of fixed capital in the form of a machine that lasts three years. From the ordinary view point we have a single production process that uses a single machine that becomes progressively older. As the machine becomes older it may perhaps become less efficient and produce less output or require more maintenance, but apart from this nothing else changes.

For Sraffa, however, we have in this case not one machine operating in one production process for three years in order to produce the single commodity x, but three different machines operating in three different production processes. In the first year we have a joint production process that produces commodity x plus a one year old machine. In the second year the one year old machine enters the second production process which again is a case of joint production producing commodity x plus a two year old machine. Finally, in the third year, the two year old machine enters the third production process which is a single process, producing only commodity x - the three year old machine being scrapped on its third birthday.

With the fixed capital being regarded as a joint product we find in this case two more unknowns added to the system of simultaneous equations; the imputed prices of the one and two year old machine. But at the same time we have three equations representing the three production processes, instead of one. So the system, in principle, remains mathematically determinate even in the case of fixed capital. Simultaneity is then sustained by making the assumption that in any industry with fixed capital there will at any time be fixed capital of all ages in operation.

So, Sraffa was able to overcome the hurdle of fixed capital. Once over this hurdle Sraffa could then introduce land as a non-produced input which then allowed him to extend his analysis to the question of rent. With this Sraffa was able to complete the foundations for his radical reconstruction of Ricardian political economy.

However, while Sraffa's The Production of Commodities by Means of Commodities was, as its subtitle suggest, intended as a 'prelude to a critique of economic theory' (i.e. of neoclassical orthodoxy), it has become a basis for modem revisionist attacks on Marx and his labour theory of value. The most cogent and comprehensive exponent of such Neo-Ricardian critics being Ian Sieedman.

In Marx after Sraffa Steedman puts forward the contention that Marx's labour theory of value is, in the light of Sraffa, both redundant and inconsistent, and that therefore it should be abandoned in favour of a Sraffian

theory of value and price. In support of this contention Steedman argues that Sraffa's system is based on an empirically verifiable set of data - the technical coefficients of production and the rate of profit - readily apparent to any capitalist. Indeed, in principle it would be possible, given sufficient technical and industrial data, to calculate the set of production prices corresponding to a given rate of profit, for any real economy.

In contrast Marx's 'system' was not based on direcdy observable data. While in principle the amount of living labour added in each production process could simply be calculated through observation, the amount of labour preserved and embodied in the means of production could only be calculated indirectly by knowing the technically determined quantities of inputs for each production process - that is, via Sraffa's very set of technical coefficients. Indeed, as Steedman shows, Marx's 'system', as presented in the tradition of Bortkiewicz, was derivative of the Sraffian system. It was only by knowing the set of technical coefficients of production that the set of labour-values could be defined, let alone transformed in to production prices.

Consequently, for Steedman, Marx's labour theory of value was redundant. Why calculate labour-values from the set of technical coefficients of production and then calculate production prices when you could calculate production prices directly!? Labour-values were nothing more than an unnecessary detour.

As if this was not enough, Steedman then goes on to charge Marx's labour theory of value with being inconsistent. Firstly, Steedman argues that central to Marx's labour theory of value is the claim that the total value should equal the total of prices and that the total surplus-value should equal the total of profits. In the solution to the 'transformation problem' presented by Marx in Volume III of Capital this equality could be seen to hold. As a consequence Marx was able to argue that the rate of profit in money terms equalled the rate of profit in value terms. However, once Bortkiewicz's solution is admitted it is no longer possible to sustain this double identity. In general, the system can be standardized such that price equals the total value or else the total profit equals total surplus-value, but not both at one and the same time.

If this is so, the money rate of profit is no longer equal to the value rate of profit. Steedman then takes this to mean that the value rate of profit cannot be used to determine the real money rate of profit facing everyday capitalists. Marx's value theory becomes inconsistent

The second count of inconsistency arises with joint production. Steedman shows that the application of the Bortkiewicz system of transformation of values into prices in the case of joint production is liable to produce nonsensical results; namely negative values, or even worse, negative surplus- values with positive profits! On this basis Steedman argues that Marx's labour theory of value faces serious if not insurmountable problems in baling

with joint production. Indeed, if surplus-value is the basis of profit how can negative surplus-values produce positive profits? Is this not inconsistent?!

Such problems would perhaps be unimportant if they only concerned the pure case of joint production. It could be argued that joint production is insignificant and tends to be eradicated with the increasing specialization of capitalist production. Sheep farmers tend to specialize in either wool production or lamb production, breeding different types of sheep to meet each of these two purposes. However, if it is accepted that fixed capital is a special case of joint production such an escape clause becomes void. Fixed capital is present in most if not all industries. Any theory of value and price must be able consistently to determine prices and values in the presence of fixed capital. Yet on this count, Steedman argues that Marx's labour theory of value fails.

So, Steedman charges that Marx's labour theory of value is both redundant and inconsistent, and that therefore it should be abandoned. We do not intend to consider the controversy that such charges whipped up following the publication of Marx After Sraffa. Nor have we space for a detailed refutation of these charges. Instead we shall examine the fundamental error that Steedman and his fellow Neo-Ricardians, or Sraffian Marxists, make in rejecting Marx's labour theory of value.3

The fundamental error Steedman makes, along with all other Neo- Ricaidian critics of Marx is the error that we have already noted in passing in connection with Bortkiewicz, namely the misappropriation of Marx as a classical political economist

By viewing Marx as a classical political economist, as the heir to Smith and Ricardo, Marx is reduced to little more than a Ricardian who merely completed Ricardo's system. All the radical distinctions that oppose Marx to the traditions of classical political economy become submerged beneath an apparent continuity. As a consequence, Marx's labour theory of value appears as little more than the continuation and culmination of the labour theory of value put forward by Ricardo. Hence it is no surprise that once it was shown that Ricardo's value theory was no more than an unnecessary detour in the search for an objective and invariant measure of value a similar logic should be then applied to Marx.

This misappropriation owes not a little to Engels himself. As we have seen, Engels's polemic against Rodbertus in his introduction to Volumes II and III centred on the claim that Marx's single most important achievement was to go beyond Ricardo by setting and then solving the 'transformation problem'. This claim not only implied that Marx's work was a continuation of classical political economy but also highlighted the ’transformation problem' as the central feature of Volume III and the culmination of Marx's theory of value and price. Hence Capital became construed as a work of political economy.

By setting up the contest to solve the 'transformation problem' before the publication of Volume III, Engels, who no doubt thought Marx's solution would end the matter once and for all, had inadvertently placed this rather technical matter at the heart of many readings of Capital ever since. As a result Capital became something of a closed text. A text of political economy that either provided the correct solution to the 'transformation problem' or did not.

Yet Marx was not a classical political economist! Far from it; he could be nothing less than radically opposed to the cynical defence of bourgeois society paraded by the likes of Smith and Ricardo. Capital was never merely an exposition of the principles of political economy; on the contrary, it was above all a critique of political economy. It is this failure to grasp Capital as a critique that has led to the misappropriation of Marx. Let us then look at this in a little more detail.

In making a critique of classical political economy's defence of capitalism, Marx did not seek merely to deny its arguments and then simply counterpose his own, since he realized that such a defence grasped certain essential truths regarding bourgeois society. Indeed they were the conscious reflection of bourgeois society itself in thought. Yet, in grasping these essential truths of capitalist society the political economists could only grasp them one-sidedly - they remained only partial truths

In order to make a critique of classical political economy it was therefore necessary to go beyond it by pushing these partial and one-sided truths to their logical conclusion, to their extreme limits, where they would come to reveal their very one-sidedness and thereby explicitly posit their own negation. Thus Marx's critique demanded both the realization as well as the suppression of bourgeois political economy. As can be expected, this two­fold process of critique inheres within Marx's labour theory of value and it has been the failure to grasp this that has allowed Steedman and the Neo- Ricardians to so easily conflate Marx's value theory with that of Ricardo.

As the ideological champions of the ascendant industrial bourgeoisie the classical political economists were obliged to assert the internal coherence of capitalism as a social/economic totality. Against the underconsumptionist theories of their most ardent contemporary critics - such as Sismondi - who warned of the inherent crises of the capitalist mode of production - political economists denied the possibility of any crisis of overproduction or underconsumption except for accidental or external factors. If capitalism was limited it was not due to itself but due to external factors.

For Marx, capitalism was inherently crisis-ridden, but this did not deny its relative coherence as a social totality. In fact, for Marx the two sides of this dichotomy were connected. Crisis emerged from the very conditions that ensure the coherence of capitalism just as subsequently the coherence of

capitalism is reimposed by means of crisis. To understand this, capitalism had to be considered as a contradictory unity - a unity in opposition. Both the classical political economists and their critics failed to fully grasp this and instead grasp capitalism one-sidely; the critics emphasizing crisis, the political economists denying it.

Yet as we have previously shown, in order to grasp the contradictions of capitalism it was first necessary to grasp it in its unity. Thus it was with classical political economy, rather than its critics, that Marx came to locate his starting point; and it is this emphasis on the unity of capital that, as we have seen, guides the principal line of theoretical development that we find throughout the three volumes of Capital.

Of all the classical political economists, it was Ricardo who was most important for Marx. This was because Ricardo, in adopting and then persistently defending, a labour theory of value, had, however obliquely, connected the coherence of the capitalist economy to its essential foundation - wage-labour. However, from Ricardo's bourgeois perspective this connection could only remain obscured.

Like all classical political economists, Ricardo's principal concern was the quantitative distribution of the economic surplus between the 'productive' capitalists and the 'unproductive' landowners. Yet Ricardo recognized that such relations of distribution arose from the inner relations of production. It was in asserting production as the essential foundation of economic relations that Ricardo came to adopt a labour theory of value. However, from Ricardo's bourgeois perspective, any detailed analysis of production relations threatened to raise the rather awkward question of the social relation between the worker and the capitalist. So as to foreclose any question of the exploitation of wage-labour, Ricardo came to view the relations of production as a purely technical relation; as a relation that was predetermined and constituted by natural and technological factors. Consequently Ricardo could only grasp labour as an objective and technical relation - which he could then use as an objective and invariant measure of value.

Hence, as we saw in chapter 8, Ricardo came to adopt an embodied labour theory of value. The value of a commodity was, for Ricardo, determined by the technically necessary labour embodied in its production. Yet as we also saw in chapter 8, this embodied labour theory not only reduced the social relations of production into purely technical relations, but at one and the same time precluded rupture and crisis. Labour became immediately identified with value; and value immediately identified with (natural) price. It was through this very double identity, implicit within an embodied labour theory of value, that Ricardo came to assert the coherence and unity of capital.

Yet, as we saw in chapter 8, Marx in the opening chapters of Capital, sets out an abstract social labour theory of value which is a radical departure

from Ricardo's embodied labour theory of value. For Marx value is not simply labour, but the social and historical form of labour under capital. As a consequence, Marx goes to great lengths in setting out this theory to distinguish labour from value, and value from price. For Marx they cannot be simply conflated within a double identity as Ricardo would have it. As a result crisis and rupture are not precluded; they remain implicit within Marx's abstract social labour theory of value.

However, as we have also seen, in order to set out his theory of surplus- value, Marx came to attenuate his abstract social labour theory of value in to what we have termed quasi-embodied labour theory of value. With this attenuation of his value theory Marx can be seen to have preserved the radical distinctions between labour, value and price by reducing Ricardo's double identity to the provisional assumption of a double equality (i.e. labour = value = price). Hence, throughout Volumes I and II of Capital the prices of commodities are provisionally assumed to be determined by the labour

embodied in their production, all labour being assumed to be realized as

value. Only in Volume m is this assumption relaxed so that production prices can be seen to systematically diverge from labour-values.

Yet, despite Marx's efforts to preserve the distinctions set out in the

opening chapters of Capital, it has been easy to ignore all this and reduce

Marx's quasi-embodied labour theory of value into a mere continuation of Ricardo's fully embodied labour theory of value. In fact, in a limited sense this is correct. Marx does critically develop Ricardo's embodied labour theory of value; but as a one-sided aspect of his own abstract social labour theory of value. In developing this theory beyond Ricardo, Marx is able to show the exploitative nature of capitalist production, the precarious character of the capitalist circulation process and so forth, all in terms of the unity of capital. This then culminates in Volume III with the transformation problem where the unity of capital reaches its most extreme point

Here, in Volume ID, the convergent tendencies of capitalist competition are seen to forge a uniform rate of profit so that all capitals produce and realize surplus-value to the same degree. Each capital acts as if it were merely a part of a homogeneous totality of social capital; as if it were itself merely capital- in-general. All the fractures and oppositions that emerge within the totality of capital due to its particularization as individual capitals appear submerged within an overall unity of capital as a social totality

But this is only the extreme extrapolation of a tendency. All the oppositions and contradictions, the divergent tendencies of competition, appear to be resolved. It is capital taken only in its coherence. If we are to go on beyond Capital to consider the incoherence of capital, its crisis and rupture, then the movement of attenuation within Marx's value theory must be reversed. It must be seen how labour may not become value, how price may

break from its systematic determination of value. It must be seen how labour becomes not only valorized but devabrized', how capital becomes not only totalized but detotalized.

Unlike Ricardo, such a reversal is possible for the Marxian project because rather than being precluded from Marx's value theory it is implicit within it; it is not foreclosed once and for all, but rather is only provisionally attenuated. Indeed, it is a reversal that repeatedly, and ever more incessantly, demands to be made within the text of Capital. But it is a reversal that Marx never made. Crisis and rupture, as we have seen, remain marginal to the principal line of theoretical development in Capital which is still only pursuing the unity of the dialectic of capital.

The failure to go beyond Capital - the failure to make this reversal - has meant that the full implications of Marx's abstract social labour theory of value have not become apparent. As a consequence, it has been easy for the modem economist to dismiss the opening chapters of Capital as at best an unnecessary philosophical digression and at worst incomprehensible throwback to Marx's Hegelian youth. Once this dismissal has been made it is then possible, by considering the rest of Capital, to conflate Marx's labour theory of value with that of Ricardo. In the end, as with Sraffa et al., Marx becomes reduced to little more than a precursor to modem input/output economics who lacked the benefits of present day matrix algebra!

However, in claiming Marx as a classical political economist - by conflating his labour theory of value with that of Ricardo - these Neo-Ricardians not only fail to grasp capital as a social relation, which is condemnation enough, but they find themselves only able to grasp capital in its unity. For them, like Ricardo, crisis and rupture are precluded. They find themselves unable to venture beyond their world of static equilibrium. Any notion of change or development shatters the rigour of their mathematical systems.

This becomes clear if we examine the Sraffian proposed solution to the problem of an invariant and objective measure of value. At least Ricardo's embodied labour theory of value recognized, albeit obliquely, that the essence of capital was wage-labour. Hence the intrinsic measure of value had to be labour time. By discarding labour as the measure of value in favour of the standard composite commodity, Sraffa refuses to grasp the essence of the capitalist system; he can only ever grasp a measure of a particular existent economic system at a precise point in time. As soon as a new commodity or a new technique of production appears then the old economic system ceases to exist and a new one arises and so Sraffa needs a completely new standard composite commodity! SrafTa's measure of value may only be an objective and invariant measure for a instantaneous point in time! All notion of change, let alone rupture and crisis, thereby becomes lost.

Before concluding we must also mention that, on the other hand, there are

those who concentrate on the opening chapters of Volume I of Capital to the exclusion of all else. The failure to see Marx's quasi-embodied labour theory of value as the a necessarily one-sided development of Marx's abstract social labour theory of value has also led to the abandonment of labour as the content of value. Instead we have an emphasis on value-form, and thus on money, rather than a standard composite commodity, as the measure of value.4

It is only in the context of the incompleteness of Marx that these criticisms of Marx's value theory can be fully understood. If we are to go beyond them we must therefore recognize the provisional closure enacted in Capital, a closure whose provisionality has been overlooked ever since Engels came to pose the 'transformation problem'.

Yet it is not only in terms of the theory of value that Engels served to transfer the provisional closure within Marx into a final closure within Marxism. He has more to answer for, as we shall now see in our consideration of the question of the theory of human praxis.

1. Human praxis

The invasion of Hungary in 1956, by revealing to the West the overtly repressive nature of Russian 'socialism', marked the beginning of the end of the hegemony of Soviet Marxism that had dominated and stultified Marxist thought for almost three decades. An ending that has only recently been concluded with the break up of both the Eastern Bloc and the Soviet Union.

Consequently, the various heterodox currents of modem Marxism that had developed in opposition to Soviet Marxism were obliged to address the fundamental question of the 'fate of Marxism' posed by its degeneration in the hands of Stalin. How was it that the revolutionary theory of Karl Marx which had originally aimed at human liberation ended up as a conservative state dogma which sought to liberate the productive forces at whatever human cost? Was it possible to separate a theory that had sought to change the world from its own consequences?

To answer such questions without completely surrendering Marx required a close critique of orthodox interpretations of Marxism. A critique that was readily found in the writings of both Karl Korsch and the 'Young' Lukacs. Indeed it is reference to this critique that much of what has become known as Western Marxism can be located.

In 1923 Lukacs published his great seminal work History and Class Consciousness, and in the same year Karl Korsch published his Marxism and Philosophy\* Both of these two works were explicitly aimed at attacking the basis of the Marxist orthodoxy of the Second International, and both were a

part of a general theoretical assault by the newly emergent revolutionary communist movement against the old reformist social democracy. Yet the critique of Lukacs and Korsch went far beyond that being levelled at Soviet Marxism at that time.

Soviet Marxism, far from wishing to uproot the old orthodoxy of the Second International, from which it had itself sprung, sought to extend it by adding the political voluntarism of Lenin's political theory to the economic determinism of the old International. For Soviet Marxism, Marxist-Leninism was the true and rightful heir to the old orthodoxy that had been betrayed by the political timidity and opportunism of the leaders of the Second International.

Thus, in pressing home a radical critique of the old orthodoxy, Lukacs and Korsch found themselves making an implicit attack on the newly emerging orthodoxy of the Third International and Soviet Marxism. As a consequence, they began to draw the vehement criticisms of leading Soviet Marxist theorists. This was further intensified by the political situation within the European communist movement at that time.

In 1923, with the subsidence of the revolutionary wave that had swept Europe following the First World War and bolstered by the great prestige of the 'success' of the socialist revolution of 1917, Soviet Marxism had more or less established its domination over the European communist movement The left communist opposition within the Third International had been defeated and the International was rapidly becoming a mere arm of Russian foreign policy. Yet this dominance had still to be consolidated. It was vital for the Soviet Marxism to impose its line without serious opposition which might jeopardize the use of the Third International to defend the gains of the Russian Revolution and the Bolshevik Government

As a result both Korsch and Lukacs found themselves under serious attack. In response to this attack Lukacs was led eventually to retreat from the positions he had set out in History and Class Consciousness and became concerned with less controversial questions so that he could remain within the Hungarian Communist Party. Korsch, on the other hand, refused to bow to such pressure and was consequently expelled from the German Communist Party. In response he wrote The Present State of the Problem of 'Marxism and Philosophy' - An Anti-Critique in 1930, which explicitly extended his critique of the old Marxist orthodoxy of the Second International to the new orthodoxy of Soviet Marxism.

So what was the basis of this attack on Marxist orthodoxy?

Both Lukacs and Korsch argued that orthodox Marxism had served to vulgarize and distort Marx. A vulgarization that could be traced right back to the late Engels and his attempt to expand historical materialism, and hence

Marxism, into a scientific world view that could compete with rival bourgeois theories for the allegiance of the expanding German workers' movement of the 1870s and 1880s. The basic cause of this vulgarization was Engels's attempt to extend the dialectic to nature.

Engels had sought to give historical materialism a strong scientific foundation by arguing that the dialectic was a basic principle of nature which preceded human thought. In doing so Engels was clearly following Marx's advice with regard to the need to 'stand Hegel on his feet'. The idealist dialectic of Hegel which saw the absolute idea immanent within the natural world was now to be stood on its feet to reveal the idea prefigured by the principles and processes of the natural and material world.

Yet, by rooting the dialectic in nature, Engels effectively discarded the revolutionary implications that Marx had sought to rescue from the idealist mystifications of Hegel. The dialectic of subject/object, which had been central to Hegel, and which allowed Marx to pose the question of human praxis, and hence the question of human alienation, was lost. Instead, Engels's simple materialist inversion of Hegel led him to preserve the Absolute Idea (God) in the guise of the forces of production which must continually seek their highest expression in the course of human history.

So, by extending the dialectic to nature, Engels had come to discard the theory of praxis and human alienation. Consequently the very criticisms Marx had made against Feuerbach way back in 1846 could be levelled against Engels:

The chief defect of all hitherto existing materialisms...is that the thing, reality, seriousness, is conceived only in the form of object or of contemplation, but not as sensuous human activity, practice, not subjectively... Hence he does not grasp the significance of 'revolutionary1, of'practical-critical', activity. (Marx, 1970, p. 121)

In the hands of Engels, the dialectic became little more than a question of the constant flux and dynamics of nature which then becomes reflected as a mode of human thought through contemplation and observation. A dialectic that owes more to Heraclitus than to Hegel, and one that served to construct Marxism as a positive science. The implications of Engels's rejection of praxis, and the consequent degradation of the dialectic, were to have severe effects for the development of Marxism within the international workers' movement.

The works and influence of Engels undoubtedly played a vital role in the development of the Marxist orthodoxy of the Second International. It was through Engels that the first generation of Marxists, such as Kautsky, Plekhanov, Labrola, and Mehring, came to Marxism. It was with Engels's

help that these leading theoreticians forged the basic tenets of Marxist orthodoxy.

In the non-revolutionary conditions of the late nineteenth century, and with the intellectual ascendancy of positivism and the natural sciences, the vulgarization of Marxism initiated by Engels became further consolidated by this first generation of Marxists. A generation whose intellectual backgrounds owed far more to the impact of Darwin than to the philosophy of Hegel.

As a consequence, Marxism became consolidated as a positive and deterministic science of history and society, stripped of all revolutionary content despite its protestations to the contrary. The principal aim of Marxism became not so much the liberation of human praxis, the free development of human beings, but rather the democratic planning of production to eliminate the irrationalities of the market. Hence, for orthodox Marxism, whether of the Second or Third Internationals, communism was postponed almost indefinitely and replaced by the transitional stage of socialism that meant nothing more than state capitalism in the workers' interests.

Indeed we may follow Levine and argue that what was to become known as Marxism was not Marxism at all, but Engelsism! An ideology which was to reach its most extreme form with the rigid and mechanical diamat of the Stalin era.6

Clearly, if the failings of the Second and Third Internationals and the iniquities of Stalinism and Soviet Marxism are a product not of Marxism but of Engelsism, the way is open for a return to Marx. A return that would be free to reconstruct a true Marxism based on a theory of human praxis and aiming for the full liberation of humanity in communism. Yet this thesis of an Engelist degeneration of Marxism, which owes its origins to the work of Lukacs and Korsch, has faced two serious objections since its re-emergence in the immediate aftermath of the Hungarian uprising.

Firstly, how was it possible for Engels, who was the co-founder of historical materialism and such a close friend and life-long collaborator of Marx, to make such a gross misinterpretation of Marx's critique of Hegel? How was it possible for him to reduce Marxism into a vulgar materialism? In answer to such a objection it may be pointed out that, although traditional histories of the intellectual development of Marxism make Marx and Engels almost synonymous it is clear from recent studies of the life of Engels that they had important differences with respect to both temperament and background, differences which Engels himself admitted. It may be argued that, although they were in remarkable accord through much of their life, the determinism inherited from his Jesuit background and his rather dilettante approach to study - particularly in his youth as a Young Hegelian - together

with the practicality of his work as a factory manager, made Engels far more susceptible to the positivistic intellectual climate of the late nineteenth century than Marx.

While Marx undoubtedly moved towards a 'critical positivism' during his last years of his life, he never rejected the importance of Hegel. Hence it may be claimed that praxis always remained central to his thought. For Engels, who never came to grips with Hegel in his youth, it was far easier to take Hegel and the question of human alienation as a 'dead dog' and accept the positivistic and inevitable laws of the historical development of the productive forces.

Of course to such a defence of the Engelsist thesis it may be objected that Marx himself accepted the proposal to extend the materialist dialectic to nature and approved of Engels's work Anti-Diirhing in which such an endeavour was first presented. Furthermore, to be fair to Engels, he also warned against over-deterministic interpretations of Marx towards the end of his life. Thus if there was a difference between Marx and Engels it was perhaps more a matter of emphasis.

But even if Marx was following Engels towards a more deterministic and positivistic position towards the end of his life, this would not be very serious so long as it can be shown that his principal works are to be animated by a theory of praxis. It is here that the second and more serious objection makes its mark.

While it is true that the publication of Marx's early works, such as the 1844 Manuscripts and his Theses on Feuerbach have lent added weight to the Lukacs/Korsch critique of orthodox Marxism and have underlined the importance of human praxis, at least for the early Marx, the fact remains that Marx's 'ultimate' theoretical work - Capital - in all three Volumes lends itself to an orthodox reading. Except for the opening chapters of Volume I (particularly the section on commodity fetishism in chapter 1), Capital is marked by the objectification of its categories. The questions of human praxis, of human alienation and subjectivity, are notable by their absence. If the theory of praxis is not central to Capital how can it be central to Marx?!

In reply to this second objection Levine has argued that Engels's efforts in editing and publishing the final two volumes of Capital produced a marked 'shift in meaning' in these volumes towards an Engelsist reading of Capital. After a careful and scholarly comparison of various passages in the original manuscripts of Marx and the corresponding passages in the published version of section 1 of Volume II of Capital, Levine concludes:

In this instance, a structural change in the text did cause a 'shift in meaning'. Engels's replacement of one passage by Marx with one content with another passage by Marx with an entirely different

content brought about a 'shift in meaning' in this particular part of Section I Volume II of Das Kapital. This is not enough evidence to argue conclusively that a 'shift in meaning' occurred throughout Section I Volume II of Das Kapital. It does indicate that a 'shift in meaning' took place in this particular portion of the text, and does introduce the possibility that a 'shift in meaning' occurred throughout Das Kapital generally. (Levine, 1984, p. 245)

Yet even if this possible 'shift in meaning' proves to be true generally, it is only a matter of emphasis, and, what is more, it only applies to Volumes II and III. It remains the case that the overall movement of Capital, with its objectified categories, greatly circumscribes the question of human praxis and class subjectivity. In fact, it may be argued that what is remarkable is not that Engels introduced a 'shift in meaning' in the process of editing Volumes II and III, but that he was able to prepare Marx's almost illegible manuscripts for publication with such fidelity.

Unlike Levine however, most defenders of the importance of human praxis in Marx have tended to retreat to the works of the 'Young Marx'. But this has only served to open the way for their opponents to go on the offensive and to declare that the 'Young Marx' was merely immature. The most forceful exponent of this line of attack has been Althusser.

In his efforts to reconcile Western Marxism with the reformed Marxist- Leninist orthodoxy of the French Communist Party of the 1960s, Althusser attempted to close off the 'Young Marx' cited by praxis theorists. He argued that Marx made an 'epistemological break' from the 'humanist' and 'ideological' formulations of his earlier works to develop the scientific theory of historical materialism - of which his critique of political economy was a central part. Thus against the 'ideological' and 'bourgeois' conceptions of the 'Young Marx' cited by the proponents of human praxis theory, Althusser was able to counterpose the authority of the scientific, mature Marx of Capital.

Although Althusser's rigid demarcation between the 'Young' and the Old’ Marx has proved difficult to sustain, particularly in view of the Grundrisse, Marx's apparent progression away from his 'youthful' emphasis on human praxis and the problem of alienation towards a 'scientific' analysis of the laws of capitalism evident in Capital weighs heavily against the heirs of Lukacs and Korsch. As a consequence. Western Marxism has retained an ambiguous relation to Marxist orthodoxy. It has largely failed to fully break with the scientific' readings of Marx.

*Yet his apparent progression only exists if it is accepted that Capital is Marx's ultimate and culminating theoretical work. If, as we have argued throughout this work, the Marx of Capital is in a fundamental sense incomplete; that Capital is merely provisionally closed; that the Marxian*

project points through and beyond Capital, then the objections advanced against the centrality of human praxis and the Engelsist thesis fall to the ground. We can then follow Negri and pose a 'Marx beyond Marx'; a Marx in which human praxis and class subjectivity emerge in their full force on the objective foundations set forth in Capital. A Marx freed once and for all from the scientific and deterministic readings and practice of orthodoxy of Soviet Marxism. The realization and suppression of philosophy and science becomes possible.

**Conclusion**

In this chapter we have sought to indicate how the provisional closure in Marx has become a final closure within Marxism. As has been indicated in our discussions concerning both the issues of value and human praxis, this failure to grasp the incompleteness of Marx has had serious implications for the development of Marxism. On the one side it has been all too easy for Marxists to fall foul of the dogmatic determinism of orthodox Marxism of the Second and Third Internationals, on the other side it has allowed Marxism to become prone to the revisionism and consequent assimilation into radical bourgeois theory.

This has meant that, for what has become known as Western Marxism, the flight from Stalinism that gathered pace after the events of 1956 in Hungary, has all too easily led into a dead end; either with an ambiguous rapprochement with a reconstructed orthodox Marxism or with a surrender to the fashionable radical currents within bourgeois academia. Of course this is not to say that there has been little progress made by Marxists over recent decades, particularly those within the Western Marxist traditions. On the contrary, it is only as a result of the enormous contributions that have been made that the present work could have been written. But nevertheless we may concur with Banji when he concludes:

...Marx's Capital remains incomplete as a reproduction of the concrete in thought. What is remarkable here is not that Marx should have left the book incomplete but that close to four generations of Marxists should have done so. There are, of course, historical reasons why this is so, reasons related to the renovated expansion and qualitative consolidation of capitalism. But one of the most striking manifestations of the underlying crisis in the movement as a whole is the contemporary state of Western Marxism - the ecstatic leap from the uppermost floors of an imposing skyscraper of immobilised dogma to the granite pavements

Yet, with the final collapse of Stalinism and Soviet Marxism, it now becomes more important than ever to come to an understanding of the incompleteness of Marx.

Notes

1. For an history of German social democracy under the anti-socialist laws, see Lidtke (1966).
2. Sraffa sought to substantiate this thesis by interpreting Ricardo's early 'com-price model', which had sought to show how diminishing returns in agriculture would depress the rate of profit by using the physical quantities of com inputs as a standard measure of value, as a less mathematically sophisticated precursor to his own general equilibrium system of technical coefficents for determining a standard measure of value with which to measure changes in the distribution of the economic surplus. See Sraffa's introduction in Ricardo (1951, Vol.l).
3. For the main arguments that arose with the controversy following

Steedman's attack on Marx's labour theory of value, along with Steedman (1979), see the collections of articles contained in Mandel & Freeman (1984), Fine (1986) and Steedman (1981). For a more comprehensive methodological critique of the Neo-Ricardian approach offered by Steedman and others, see Fine & Harris (1979).

1. For an example of such a value-form analytical approach, see Eldred

& Hanlon (1981). Also see De Vroey (1982) for a discussion of such theorists.

1. See Korsch (1970) and Lukacs (1971). For a critical history of of

Western Marxism which developed in opposition to the Soviet Marxist orthodoxy, see Anderson (1976) or Jacoby (1981). Also see Cleaver (1979).

1. Sec Levine (1976, 1984).

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