

Towards an Unknown Marx

A commentary on the
Manuscripts of 1861–63

Enrique Dussel

Translated from the Spanish by Yolanda Angulo
Edited, with an introduction by Fred Moseley



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Towards an Unknown Marx

The recent publication of Marx's writings in their entirety has been a seminal event in Marxian scholarship. The hitherto unknown second draft of Volume 1 and first draft of Volume 3 of *Capital*, both published in the *Manuscripts of 1861–63*, now provide an important intermediate link between the *Grundrisse* and the final published editions of *Capital*.

In this book, Enrique Dussel, one of the most original Marxist philosophers in the world today, provides an authoritative and detailed commentary on the manuscripts of 1861–63.

The main points which Dussel emphasizes in this path-breaking work are as follows:

- The fundamental category in Marx's theory is 'living labour' which exists outside of capital and which capital must subsume in order to produce surplus value.
- *Theories of Surplus Value* is not a historical survey of previous theories, but rather a 'critical confrontation' through which Marx developed new categories for his own theory.
- The most important new categories developed in this manuscript are related to the 'forms of appearance' of surplus value.

The final part of the book discusses the relevance of the *Manuscripts of 1861–63* to contemporary global capitalism, especially to the continuing underdevelopment and extreme poverty of Latin America.

Enrique Dussel is Professor of Philosophy, Universidad Metropolitana, Iztapalapa, México. He has written over forty books in Spanish, a number of which have been translated into English, German, French and Italian, including *The Philosophy of Liberation, Ethics and Community*, and *The Underside of Modernity*.

Fred Moseley is Professor of Economics, Mount Holyoke College, Massachusetts, USA, and is a highly regarded specialist on Marxian economics. He has written or edited six books, including *The Falling Rate of Profit in the Post-war United States Economy* (1992), *Marx's Methods in 'Capital': A Re-examination* (1993), and *Heterodox Economics Theories: True or False?* (1995).

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Editor's introduction

'Criticism starts from the negativity of the victim.'

Enrique Dussel

It has been discovered in recent years that Marx wrote *four* drafts of *Capital*, not just two (the *Grundrisse* and *Capital*), as was commonly thought. In between these two, Marx wrote two other fairly complete drafts of all three volumes of *Capital* – one in the *Manuscripts of 1861–63* and another in the *Manuscripts of 1864–65* (see Dussel 2001 and Moseley 2001a for further discussions of the four drafts of *Capital*).

The second draft in the *Manuscripts of 1861–63* is especially interesting. It includes, in addition to the well-known *Theories of Surplus Value*, a second draft (after the *Grundrisse*) of Volume 1 (Parts 2–4), and a first draft of most of Volume 3, both recently published for the first time.¹ These manuscripts are very rich and illuminating, and provide many insights into the logical structure of the three volumes of *Capital*, and especially about how Volume 3 fits into this overall structure. They are much clearer and better organized than the *Grundrisse*, and they contain more clarifying comments on Marx's logical method than the final 'popularized' editions.

Enrique Dussel has written a path-breaking book in Spanish about Marx's *Manuscripts of 1861–63* entitled *Hacia un Marx Descondido: Un Comentario de los Manuscritos del 61–63*, which was published in 1988. This book is a translation of that book. Dussel's book is the second in a monumental trilogy on all of Marx's economic manuscripts. The other two books in Dussel's trilogy are: *La Produccion Teorica (The Theory of Production)* (1985), about the *Grundrisse*, and *El Ultimo Marx y la Liberacion de Latinoamericana (The Ultimate Marx and the Liberation of Latin America)* (1990), about Marx's remaining economic manuscripts.

Dussel is one of the most interesting Marxist philosophers in the world today. He is an Argentinean (of Austrian descent) who was forced to flee for his life during the military crackdown of the 1970s, and has lived ever since in Mexico City. He is now a Professor of Philosophy at the Universidad

Autónoma Metropolitana – Iztapalapa. Dussel has written over forty books (in Spanish), four of which have been translated into English and several other languages (German, French, and Italian): *The Philosophy of Liberation* (1980, 1985), *Ethics and Community* (1988, 1993), *The Invention of the Americas* (1995) and *The Underside of Modernity* (1996).

Dussel's trilogy on Marx's economic manuscripts grew out of a complete chronological reading of all of Marx's economic manuscripts in the original German, together with graduate students at the Universidad Autónoma Nacional de México in the 1980s. Since some of these manuscripts had not at that time been published even in German, Dussel travelled to Berlin and Amsterdam to read Marx's original manuscripts – in Marx's awful handwriting! I don't know of anyone else who has conducted such a thorough and systematic reading of all of Marx's economic manuscripts.

I think that Dussel's trilogy will turn out to be one of the most important works in the history of Marxian scholarship. In my view, Dussel's books are more important than Rosdolsky's *The Making of Marx's Capital* (1977), which of course had a significant impact. Rosdolsky's book is only about the *Grundrisse* and is much less philosophically sophisticated than Dussel's trilogy. The uniqueness of Dussel's contribution is that he brings a very high level of philosophical understanding to bear on Marx's economic manuscripts, especially on the logical method employed by Marx in the construction of his economic theory, how Marx's thinking (and his concepts) developed through the various manuscripts, the continuing influence of Hegel, etc. Rosdolsky tried to address these themes, but he didn't know enough about philosophy and Hegel to do it well. Nor did he have the later manuscripts available to him.

Dussel's method of exposition is to present a comprehensive and detailed introduction to Marx's manuscripts in his (Marx's) own words, emphasizing various themes, as we shall see below. Dussel's exposition follows Marx's manuscripts chronologically, section by section, including initial intuitions, detours and digressions (some of which turn out to be quite significant), and highlights Marx's discoveries and theoretical advances, as well as his confusions and difficulties. In this way, Dussel explains how Marx's thinking *developed* and *was clarified* on a number of key issues while working on the various drafts of *Capital*. The result is an extremely valuable 'reader's guide' to Marx's manuscripts that greatly facilitates our understanding of their meaning and significance.

This introduction provides a brief overview of the *Manuscripts of 1861–63* and of the main themes of Dussel's commentary on these manuscripts. The main sections of the manuscripts are: (1) the second draft of Volume 1, Parts 2–4; (2) *Theories of Surplus Value*; (3) the first draft of most of Volume 3; (4) completion of the draft of Volume 1. (See Appendix 1 for a detailed chronological account of the subjects Marx worked on in these manuscripts.)

1 The second draft of Volume 1, Parts 2–4 (Notebooks I–V) (MECW. 30: 9–346)²

The *Manuscripts of 1861–63* begins with the second draft of Volume 1, Parts 2–4, of *Capital*. This second draft of Volume 1 is very interesting and is much more clearly developed than the rough and exploratory first draft in the *Grundrisse*. By this time, Marx had a very clear idea of the overall logical structure of Volume 1 (as he had since at least early 1859; see the outline in MECW. 29: 511–17), and he was able to write these chapters in a fairly complete, coherent form.

This second draft of Volume 1 begins with Part 2 on the ‘Transformation of Money into Capital’, instead of Part 1. Dussel (2001) points out that Marx began all of the last three drafts of Volume 1 with Part 2, including the final published version in 1867 (Part 1 was the last part to be written, just before publication). Dussel argues that Marx began writing with Part 2 because this part is the real conceptual starting point of Marx’s theory: the ‘face to face encounter’ between capital as money and living labour. Part 1 is merely a preliminary, which is necessary in order to explain what money is (the form of appearance of labour), before explaining the transformation of money into capital through its confrontation with living labour.

Dussel emphasizes that, according to Marx’s theory, living labour is the ‘creative source’ that produces all value, including the surplus value that valorizes capital. Without living labour, capital cannot valorize itself. Capital by itself is not a source of surplus value. As profit, capital appears to be the source of surplus value, but this appearance is just a fetishistic illusion. In order to produce surplus value, capital must subsume living labour (the ‘creative source’) into itself from the outside, from what Dussel calls the ‘exteriority’. Living labour exists, prior to its encounter with capital in the ‘exteriority’, and in ‘absolute poverty’ (separated from the conditions of labour). However, this impoverished worker is also the ‘creative source’ of all value and surplus value. Once this creative source is incorporated into capital, it produces surplus value for capital.

Dussel (1997) argues that Marx’s emphasis on living labour as the ‘creative source’ of surplus value is based on Schelling’s critique of Hegel. According to Hegel, Being passes into Essence as a result of its own self-development; no external element is necessary for this development. According to Schelling, on the other hand, the ‘creative source’ of Being exists outside of and prior to Being. Being is explained as an effect of this ‘creative source’. Similarly, Dussel argues that for Marx living labour is the economic ‘creative source’, which also exists outside of and prior to capital. Capital cannot produce surplus value as a result of its own ‘self-development’. This is Marx’s ‘inversion’ of Hegel’s logic, according to Dussel. All the different individual forms of capital are explained as effects of living labour, as the forms of appearance of living labour, from the ‘exteriority’ of capital. (See Appendix 2 on the concept of ‘exteriority’ in Marx’s thought.)

Dussel criticizes Lukács and Kosík for thinking that the key concept in Marx's theory is *totality*, which suggests that capital is self-sufficient in itself. However, according to Dussel, Marx's theory of surplus value demonstrates that capital is *not* a self-sufficient totality. Capital can exist (i.e. produce surplus value) only by incorporating living labour from outside of itself, in the 'exteriority'. Therefore, the key concept of Marx's theory is *exteriority* (the realm of existence of living labour), not totality. Michael Lebowitz (1992, Ch. 3) has also argued, in a similar way to Dussel, that capital is not a totality in Hegel's sense of self-sufficiency, but instead requires living labour as a condition of its existence.

Dussel also emphasizes that Marx's theory of surplus value in Volume 1 applies to the *capitalist economy as a whole*, i.e. to the capitalist class as a whole and the working class as a whole, not to an individual firm or an individual industry. The objective of Marx's theory is to explain the total surplus value produced in the capitalist economy as a whole, not to explain the surplus value produced in a single firm or industry. This 'macroeconomic' nature of Marx's theory of surplus value is especially clear in this draft in several key chapters. In the draft of what later became Chapter 5 ('Contradictions in the General Formula of Capital'), it is argued that the surplus value of the capitalist class as a whole cannot be increased through the acts of circulation alone, although the profit of individual capitalists may increase at the expense of others. In the draft of Chapter 10 ('The Working Day'), the length of the working day is determined by the class struggle between the capitalist class as a whole and the working class as a whole (it is certainly not determined by the voluntary choices of individual workers, based on their relative preferences for labour and leisure, as in neo-classical theory). And similarly in the draft of Chapter 12 ('Relative Surplus Value'), it is argued that, if the working day is fixed, then the surplus value of the capitalist class as a whole can be increased only by the reduction of necessary labour through technological change that increases the productivity of labour in industries that produce the workers' means of subsistence.

2 Theories of surplus value: Marx's 'critical confrontations' (Notebooks VI–XV) (MECW. 30: 347–52: 541)

While working on Part 4 of Volume 1 on relative surplus value, Marx broke off and began to write in a new notebook (Notebook VI), which he entitled *Theories of Surplus Value*. Perhaps Marx's original intention was to follow his own theory of surplus value, which he had just presented, with a brief critical summary of previous theories of surplus value of the classical economists, in a similar way to what he had done for theories of value and theories of money in the preface to *A Contribution to the Critique of Political Economy*. In any case, Marx's work on the theories of surplus value soon greatly expanded into a tremendous burst of creative energy that lasted for several years.

Dussel argues that the *Theories of Surplus Value* was not intended as a historical survey of previous theories of surplus value or profit. Rather, it was a 'critical confrontation' between Marx's theory and these previous theories. It was a sort of logical and empirical 'test' of the theory that Marx was developing against these other theories: which theory could best explain the all-important phenomenon of surplus value? Furthermore, Dussel argues, through this 'critical confrontation' Marx began to develop new categories for his theory that were needed to explain more concrete phenomena, phenomena that Marx had hardly discussed at all in the *Grundrisse* and about which Marx's thinking was still not fully developed (but would develop rapidly while working on these manuscripts in the months ahead). The rest of this section discusses the two most important examples, emphasized by Dussel, of how Marx developed his own theory and his own categories through 'critical confrontation' with other theories.

2.a Marx's reproduction schemes and 'Smith's dogma'

The first example has to do with Marx's early work on what later became known as the 'reproduction schemes' (in Part 3 of Volume 2 of *Capital*). Marx started to study in detail for the first time the question of the 'reproduction of the total social capital' in the process of a 'critical confrontation' with Adam Smith, and in particular with what Marx called 'Smith's dogma' (MECW. 30: 402–51; TSV. 1: 97–150).³ According to 'Smith's dogma', the total price of the annual product could be entirely resolved into different forms of revenue (wages + profit + rent), without an additional component for constant capital. Marx considered this 'dogma' to be one of 'the *main pillars* of all political economy hitherto' (letter to Engels, 30 April 1868; MECW. 42: 25; emphasis in the original), and he devoted considerable energy in subsequent years to destroying this 'main pillar' of classical economics.

Marx evidently began to realize while working on 'Smith's dogma' in the *Manuscripts of 1861–63* that a critique required an analysis of the circular flow of the total social capital, similar to that presented by the Physiocrats in their *Tableau Économique*. Therefore, he later returned several times in these manuscripts (MECW. 31: 204–45 and 34: 238–47 and 288–90; TSV. 1: 308–44 and 378–80) to study the Physiocrats' *tableau* (which he had not mentioned at all in his brief initial discussion of the Physiocrats, prior to confronting Smith's dogma). Marx modified the Physiocrats' *tableau* to suit his theory and his own purposes, and used this analysis of the reproduction of the total social capital to demonstrate that, contrary to Smith and his followers, the total price of the annual product could *not* be entirely resolved into revenues. Instead, the total price includes another component, which is equal to the value transferred from the means of production, and the capital recovered from this component must be used to repurchase the means of production consumed in the last period (see Moseley 1998 for a further discussion of Marx's reproduction schemes as a critique of 'Smith's dogma').

Therefore, we can see that Marx's 'critical confrontation' with Smith's dogma took him beyond the limits of Volume 1 of *Capital* and the 'theories of surplus value', to issues related to Volume 2 and the circulation of capital. Dussel also emphasizes that later attempts by Otto Bauer, Rosa Luxemburg, etc. to use Marx's reproduction schemes to analyse the possibility of crises or 'breakdown' in capitalist economies is very foreign to Marx's own purpose to criticize Smith's dogma.

2.b The beginning of Marx's theory of the distribution of surplus value

The most important example of how Marx developed his own theory through 'critical confrontation' with previous theories in these manuscripts – and indeed the defining characteristic of these manuscripts – is that Marx also began to develop for the first time his theory of the *distribution of surplus value* (average profit, rent, price of production, merchant profit, interest, etc.) that would later be presented in Volume 3 of *Capital*, as distinct from the production of surplus value (the determination of the total amount of surplus value) that is the subject of Volume 1.

Marx's development of his theory of the distribution of surplus value appears to have begun somewhat unexpectedly. Marx originally planned to follow the discussions of Smith with Ricardo's theory of surplus value (MECW. 31: 583–4; note 2), which made sense both thematically (in a discussion of 'theories of surplus value') and chronologically. Instead, Marx next discussed a more recent minor work (published in 1851) by Johann Rodbertus, who had attempted to develop Ricardo's theory of rent in order to be able to explain absolute rent (rent on the least fertile land), which Ricardo had not been able to explain. This subject is out of place, not only chronologically, but also logically, since it deals with *rent*, which is an aspect of the distribution of surplus value, rather than the production of surplus value. Marx labelled this section of the manuscript 'Digression'.

It appears that the immediate reason for this surprising turn was largely practical and fortuitous. Lasalle had loaned Marx a copy of Rodbertus' book the year before and had recently written to Marx to say that he wanted his book back (MECW. 31: 593, note 99). Therefore, Marx studied Rodbertus' book while he still had the opportunity to do so. The book turned out to be more interesting than Marx had expected and appears to have stimulated Marx's thinking about rent and about the distribution of surplus value in general. It started Marx on a very creative theoretical excursion for almost a year, during which time he began to work out the details of his own theory of the distribution of surplus value, to be presented later in Volume 3 of *Capital*. Dussel considers this new departure, inspired by the 'critical confrontation' with Rodbertus, to be the 'central moment of all the *Manuscripts of 1861–63*'. (See Table 1 for a chronological view of how Marx's work on these manuscripts in the following months expanded into the subjects of Volume 3 and the distribution of surplus value; see also Moseley 1997 and 2001b for a

further discussion of Marx's development of his theory of the distribution of surplus value in these manuscripts and beyond.)

Early in the section on Rodbertus, Marx began to realize that, in order to be able to explain absolute rent, it is first necessary to explain prices of production (or what Marx called in this manuscript 'average prices' or 'cost prices'). Therefore, he began to sketch out for the first time the details of his theory of 'average prices'. (MECW. 31: 260–4 and 297–305; TSV. 2: 27–30 and 64–71). Marx followed the discussion of Rodbertus' theory of rent with further discussions of Ricardo's and Smith's theory of rent, and with further discussions of Ricardo's and Smith's theories of 'cost price'. Marx's main critique of the latter is that Ricardo and Smith failed to distinguish between cost prices and values, i.e. they did not in fact provide a theory of cost prices (prices that equalize rates of profit across industries), as distinct from values.

While working on Ricardo's theory of differential rent, Marx also began to develop for the first time the categories of market value and individual value, which have to do with *intra*-industry competition, as distinct from *inter*-industry competition that equalizes profit rates (MECW. 31: 428–35 and TSV. 2: 203–11). A more fully developed discussion of these categories is in Chapter 10 of Volume 3 of *Capital*. We will see in Chapter 13 that these categories related to intra-industry competition are the key to Dussel's theory of 'dependency', which is based on Marx's theory of the distribution of surplus value.

After considering various aspects of Ricardo's theory in greater detail (surplus value, profit and accumulation), Marx then discussed a variety of post-Ricardian economists (Malthus, Torrens, Bailey, etc.) and several 'Ricardian socialists' (Ravenstone, Hodgskin, etc.). While writing about Hodgskin, Marx broke off again and began an entirely new section entitled 'Revenue and its Sources', which is a kind of first draft of what later became the final concluding Part 7 of Volume 3, with the same title (MECW. 32: 449–541 and TSV. 3: 453–540). This section begins with a discussion of the 'Trinity Formula', which Marx called 'the most fetishistic expression of the relations of capitalist production'. Marx then went on to discuss *interest*, another form of the distribution of surplus value (that would later be the subject of Part 5 of Volume 3), which Marx called 'the most complete fetish' (interest appears to originate from capital itself, with no relation whatsoever to living labour). There is also in this section an interesting discussion – again for the first time – of interest-bearing capital and commercial capital, which are explained as 'derivative forms' of the basic form of industrial capital (the source of surplus value). There are also some remarkable pages in which Marx articulates for the first time what would eventually be the main conclusion of his theory of the distribution of surplus value in Volume 3 of *Capital*: that all these different forms of surplus value are necessary forms of appearance of the same underlying substance, the surplus labour of workers (MECW. 32: 471–503; TSV. 3: 473–503). Each of these forms of surplus value appears, to capitalists and to bourgeois economists, to have its own separate and independent

source (interest from capital, rent from land, etc.), but this appearance is just a fetishistic illusion.

This section on 'revenue and its sources' is at the end of the published version of *Theories of Surplus Value*, with which we are familiar. However, it is not the end of Marx's manuscript. Marx's manuscript continues, and continues to pursue the same general question of the different forms of the distribution of surplus value. Fortunately, because of the recent publication of the entire manuscript, we can now study the very interesting and important remaining sections of this manuscript, the continuation of Marx's development of his theory of the distribution of surplus value, inspired by his 'critical confrontation' with Rodbertus and Ricardo, and others.

3 Expansion of Volume 3 to include the distribution of surplus value (Notebooks XVI–XIX) (MECW. 33: 9–371)

The next individual form of surplus value that Marx began to consider for the first time in the continuation of these manuscripts was *commercial profit* (what he called *mercantile profit* in this section of the manuscript) (MECW. 33: 9–68). The question of commercial profit was no doubt raised for Marx by the discussion of commercial capital in the previous section on 'Revenue ...'. Dussel argues that, in the process of working out his explanation of commercial profit, and the difference between the buying price and the selling price of merchants, Marx finally and definitively settled on the term 'price of production' for prices that equalize the rate of profit across industries (earlier in the manuscript, as we have seen, Marx used the terms 'average price' and 'cost price'). This was a significant advance in conceptual clarity.

While working on commercial profit, Marx decided to write a draft of what he was then calling 'Chapter 3' on 'Capital and Profit' (MECW. 33: 69–153). (Chapters 1 and 2 were what we now know as Volumes 1 and 2 on the 'production process of capital' and the 'circulation process of capital', respectively.) Marx's original idea, and apparently still his idea while writing this draft, was that this 'Chapter 3' should be concerned only with 'capital in general' and should not include 'competition' and the various forms of the distribution of surplus value that Marx had been working on during the preceding months. Therefore, this draft of 'Chapter 3' is concerned mainly with categories related to what we know as Part 1 of Volume 3 (cost price, which Marx here called 'costs of production', average profit and the rate of profit) and Part 3 (on the 'general law of the fall in the rate of profit'). He discusses briefly the determination of prices of production (the future Part 2), but states several times that 'a more detailed investigation of this point belongs to the chapter on competition' (MECW. 33: 83, 94 and 101). However, Marx's plan for 'Chapter 3' changed drastically a few weeks later.

After finishing this draft of 'Chapter 3', Marx returned to commercial capital (or 'mercantile capital'), and then returned to the discussion of Hodgskin (from which, as we saw above, he had broken off three months

earlier in order to write the section on 'Revenue ...'), and then finally continued with discussions of Ramsay, Cherbuliez and Jones (mainly about issues related to the falling rate of profit). While working on Cherbuliez, Marx broke off to write a remarkably clear, detailed outline of what we know as Part 2 of Volume 3 and what Marx then called 'the second chapter of Part III, on "Capital and Profit", where the formation of the general rate of profit is dealt with' (MECW. 33: 299). We can see from this outline that 'Chapter 3' has become 'Part 3' and that it now includes a Chapter 2 on the general rate of profit and prices of production. This first outline of 'Chapter 2' is very close to the final version of Part 2 of Volume 3.

Thirty manuscript pages later, while working on Jones, Marx broke off again to write a general outline of both the 'Part I' on the 'production process of capital' and 'Part III' on 'Capital and Profit' (MECW. 33: 346–47). Point 2 of the outline of 'Part III' is the formation of the general rate of profit, so Marx must have had this general outline in mind when he wrote the detailed outline thirty pages earlier. But what is most remarkable about this outline is that 'Part III' on 'Capital and Profit' has been greatly expanded. It now includes, not only the aspects of capital in general included in the draft of a few weeks before, but also all the individual forms of the distribution of surplus value that Marx had been working on over the past year, ever since his encounter with Rodbertus: equal rates of profit, rent, interest and commercial profit. These individual forms of surplus value are at the level of analysis of *competition*, beyond capital in general. Marx's work on these subjects over the previous year must have convinced him that they should be included in 'Section 3' on 'Capital and Profit', rather than waiting for a later, separate volume on competition (which Marx no doubt realized by this time that he would probably never write). (Oakley 1983: 82–110 also emphasizes Marx's expansion of the contents of 'Capital and Profit' to include aspects of competition and the distribution of surplus value, besides capital in general.)

Dussel argues that the individual forms of surplus value explained in Volume 3 do not exhaust the analysis of competition. Many other, more concrete, aspects of competition still remain to be analysed after Volume 3 (e.g. market prices, monopoly, credit, international competition, etc.). Therefore, Dussel concludes that there are *two levels of competition* in Marx's logical structure: (1) general *abstract* competition, as in Volume 3; and (2) more *concrete* aspects of competition, which would be analysed after Volume 3.

Dussel emphasizes the importance of this outline of Volume 3, with its radically expanded contents, definitively clarified for the first time. This outline is in a sense the *main result* of Marx's very productive exploratory work on his theory of the distribution of surplus value during the previous year.⁴ This outline is very close to the final version of Volume 3, which Marx wrote in the next two years (1864–5). Evidently, Marx's work on the *Manuscripts of 1861–63* clarified his thinking to such an extent on these issues that he was now ready to write this volume. The fact that this 1864–5 draft of Volume 3,

Table 1 Marx's Manuscripts of 1861–63

	<i>Volume 1</i>	<i>Volume 3</i>	<i>MECW</i>
Aug. 1861	<i>Parts 2–4</i>		30: 9–346
Mar. 1862	TSV 1 Smith, etc.		30: 347–31: 250
Jun. 1862		TSV 2 rent average prices	31: 250–32: 208
Oct. 1862	TSV 3 disintegration		32: 209–49
Nov. 1862		TSV 3 interest revenue <i>commercial profit</i>	32: 449–541 33: 9–68
Dec. 1862		<i>Parts 1 and 3</i>	33: 69–153
Jan. 1863		<i>commercial capital</i> <i>reflux of money</i> TSV 3 Ramsay, etc. First outline (out of place in TSV)	33: 154–252 33: 253–371 33: 299 and 346–7
Mar. 1863	<i>Parts 4–8</i>		33: 373–34: 354

Notes

Italics: recently published for the first time

TSV: *Theories of Surplus Value*

N.B.: Full draft of Volume 3 was written in the *Manuscripts of 1864–65*

although certainly not polished for publication, is as clear and complete as it is, is further evidence of the clarity Marx achieved while working on these 1861–3 manuscripts.

Dussel emphasizes that the main conclusion of Marx's theory of the distribution of surplus value is that all these different forms of surplus value have the same underlying source: the surplus labour of workers. These different forms of surplus value appear to bourgeois economists to have their own separate and independent sources, but this is a fetishism which necessarily results from their capitalist perspective. Marx's theory demonstrates that all these different forms of surplus value are in fact derived from the surplus labour of workers. This general conclusion was first sketched out, as we have seen, in the section on 'Revenue and its sources' in the *Manuscripts of 1861–63*, and then later elaborated more fully in the concluding Part 7 of Volume 3, with the same title.

4 Completion of the draft of Volume 1 (Notebooks XX–XXIII) (MECW. 33: 372–34: 354)

After finishing with Jones, Marx returned to the draft of his theory of surplus value of Volume 1 that he had broken off from ten months before to begin *Theories of Surplus Value*. He returned to where he had left off, to Part 4 on relative surplus value (and the different forms of relative surplus value), and then continued with Part 5 (on absolute and relative surplus value combined), Part 6 (later Part 7 on the accumulation of capital) and briefly Part 7 (later Part 8 on 'primitive accumulation'). With respect to relative surplus value, Dussel emphasizes that the 'technological truth' of capitalism is in the transition of the handicraft workshop to the mechanized factory, which results in the *real subsumption* of labour under capital. Not only does the worker have to work under the control of capitalists (which is *formal subsumption*), but also in the day-to-day work in the factory the worker becomes a mere appendage to machines, and is completely dominated by the technological structure of production. In other words, living labour is really and actually dominated by dead labour.

Dussel emphasizes this same theme of the domination of dead labour over living labour in his discussion of the section on accumulation. With accumulation, domination is raised to a higher degree. With accumulation, the capital used to purchase the labour power of the worker is itself the result of past unpaid surplus (stolen) labour. The worker is now exploited by his own past product, as the alien property of another, which is the ultimate in alienation. Past objectified alien surplus labour becomes a means of appropriating more surplus living labour. In Marx's vivid metaphor, workers make their own 'golden chains'.

5 Marx's concept of science

The last part of Dussel's book consists of two chapters which are more interpretative in nature. The first chapter ('The *Manuscripts of 1861–63* and the Philosophy of Liberation') summarizes Dussel's interpretation of Marx's concept of science, or the logical method used by Marx in the construction of his theory of capitalism. There are two main aspects of Marx's logical method that are emphasized by Dussel. The first aspect is the 'critique of appearances' and the 'passage to the essence', which has to do with the preliminary work that is necessary before Marx began his theory of capitalism. The 'critique of appearances' is the critique of fetishism, i.e. critique of the failure to relate all the market phenomena of money and prices and income to living labour. The 'passage to the essence' is the identification of living labour as the 'radical starting point' of Marx's theory. The essence is living labour. Labour is the 'creative source' that produces all value and surplus value. There is no other source of value and surplus value. All other

economic categories of money and prices, etc. are derived, in one way or another, from living labour.

After arriving at living labour as the starting point, the second main aspect of Marx's logical method, according to Dussel, is the explanation of the market phenomena of money and prices and incomes from this starting point of living labour, i.e. the explanation of these phenomena as the 'necessary forms of appearance' of living labour. Marx's theory proceeds step by logical step, deriving all the economic categories from previous categories, and ultimately from living labour, without 'gaps' or 'leaps' in the logic. This is what Dussel calls the 'development of the concept' of living labour or the 'constitution of the categories' of the concept of living labour.

An important example of Marx's logical method of the strict derivation of categories is the key category of prices of production. According to Marx's theory, prices of production depend in part on the general rate of profit. The general rate of profit, in turn, depends on the total surplus value produced in the capitalist economy as a whole and the total capital invested. The total surplus value and the total capital invested are themselves determined in the Volume 1 analysis of capital in general, and then used, in strict logical order, to determine the general rate of profit and prices of production. In this way, the Volume 1 analysis of capital in general (the total surplus value) is a necessary 'intermediate link' (as Marx often said) in the explanation of prices of production in Volume 3. Marx argued that Ricardo's theory failed primarily because he did not follow this logical method. Instead, Ricardo simply assumed the general rate of profit as given, without providing an explanation of its determination, i.e. without providing the necessary 'intermediate links'. This failure left a huge logical 'gap' in Ricardo's theory, which resulted in many other problems.

A related example of Marx's logical method and of the insufficiency of Ricardo's logic is the category of absolute rent. We have seen above that Marx discovered early in the *Manuscripts of 1861–63*, in his 'critical confrontation' with Rodbertus, that, in order to explain absolute rent, one must first explain prices of production. This is the logical procedure Marx followed in Volume 3: prices of production are first derived in Part 2 (derived from the prior Volume 1 analysis of capital in general) and then rent, both absolute and differential rent, are derived in Part 6 on the basis of the prior Part 2 theory of prices of production. Once again, Marx argued that Ricardo failed to explain absolute rent because he had not provided the necessary 'intermediate links'. In this case, Ricardo had not explained the determination of prices of production, which meant that he could not explain absolute rent.

Dussel emphasizes that Marx's logical method of the 'development of the concept' and the derivation of the necessary forms of appearance from an underlying essence (or 'substance') through dialectic logic was heavily influenced by Hegel. Dussel argues that in this respect Althusser was completely wrong – there was no 'epistemological break' with Hegel between the 'young Marx' and the 'old Marx'. The old Marx did not reject Hegel. Rather, the old

Marx remained as much Hegelian as the young Marx, if not more so. To be sure, Dussel argues that Marx used Schelling to 'invert' Hegel, as we have seen above. However, Marx's logic in *Capital* continued to be profoundly influenced by Hegel. The basic logical structure of Marx's theory remained essentially the same throughout the four drafts of *Capital*, from the first draft in the *Grundrisse* to the final published versions of Volume 1. There is no evidence of an 'epistemological break' in these four drafts of *Capital*. Althusser of course did not have access to all these four drafts, so his mistake is perhaps understandable. But there is no such excuse for Althusserians today.

Dussel also emphasizes that *Capital* not only provides a theory of capitalism, but also offers a fundamental *ethical* critique of capitalism. Marx's critique of capitalism is 'ethical' because it challenges the prevailing morality of capitalist society. 'Morality', according to Dussel, means the whole set of ideologies that justify the existing status quo, i.e. any given economic and social system. For example, according to capitalist morality, the relation between capitalists and workers is one of free and equal exchange, to the mutual benefit of both parties. Workers receive a wage which is equal to their contribution to production and capitalists receive a profit which is equal to their contribution to production or the contribution of the machines they own. All is fair in this egalitarian world of capitalism, from the perspective of capitalist 'morality'.

Marx's theory poses a fundamental challenge to this prevailing capitalist morality. Marx's theory shows that the workers' wage is only a part of the value they produce and that the other part of the value they produce is appropriated by capitalists as their surplus value. The different forms of surplus value (profit, interest, rent, etc.) appear to bourgeois economists, reflecting their capitalist perspective, to be the result of separate and independent sources. But Marx's theory demonstrates that all these different forms of surplus value are in fact derived from the surplus labour of workers.

According to Marx's theory, the exchange between capitalists and workers on the market, where all appears to be free and equal, is not the end of the relation between these two economic classes; it is only the beginning. After the exchange on the market, their relation continues in the 'hidden abode of production', where workers perform surplus labour for capitalists. In other words, workers in capitalism are exploited, just like serfs in feudalism and slaves in slavery. This is the profound ethical critique provided by Marx's theory of capitalism. Surplus value is 'robbery', 'theft', 'stolen life'.

Dussel concludes this chapter by arguing that Latin American philosophy of liberation has a lot to learn from Marx, and should incorporate Marx's critical scientific method, and should apply and extend this method to understand the necessary conditions for liberation of the poor and exploited workers in Latin America and around the world.

6 'Dependency' and Marx's theory of the distribution of surplus value

This last chapter of Dussel's book presents his very innovative and important theory of 'dependency', based on Marx's theory of competition and the distribution of surplus value, which, as we have seen, Marx began to develop in the *Manuscripts of 1861–63*. Dussel argues that Marx's theory in *Capital* is very abstract and far from complete (Dussel calculates that Marx was able to finish only 1/72 of his overall theoretical plan!) Therefore, we ourselves have the task of further developing Marx's theory toward more concrete levels and toward a better understanding of contemporary capitalism. This chapter itself provides an excellent example of this kind of creative development of Marx's theory in order to explain important aspects of contemporary capitalist reality.

Dussel argues that the 'dependency' of less developed peripheral countries on more developed centre countries is located within Marx's theory at the level of *competition*, or has to do with the *distribution of surplus value*. As we have seen, this is precisely the area of Marx's theory that he worked on and developed the most in the *Manuscripts of 1861–63*. However, Marx's discussion remains at a very high level of abstraction, and does not consider more concrete factors, such as the international distribution of surplus value. Dussel extends Marx's theory to this international dimension and to the crucial question of 'dependency' in contemporary capitalism.

In particular, 'dependency' has to do primarily with *intra-industry* competition, and the concepts of *market value*, *individual value*, *super-profits* and *loss of profits*, which, as we have seen above, Marx began to develop in a 'critical confrontation' with Ricardo's theory of differential rent in the *Manuscripts of 1861–63*. Intra-industry competition is competition *within a given industry* between different producers with different levels of technology and productivity. Despite these differences in productivity (and thus different individual values of the commodities produced), the given commodity tends to have a single price on the market. In this case, the price of the given commodity is determined by the *average* value of all the commodities of this kind, or what Marx called the *market value*, as opposed to the *individual* values of the commodities of each producer. For producers with above-average productivity, the individual value of their commodities is less than the market value; therefore, these high-productivity producers will receive a 'super-profit' when the commodities are sold at their market value. Inversely, for producers with below-average productivity, the individual value of their commodities is greater than the market value; therefore, these low-productivity producers will suffer a loss of profit when the commodities are sold at their market value. In other words, there is a *transfer of surplus value* from low productivity producers to high-productivity producers, as a result of the normal mechanism of intra-industry competition in capitalist economies.

Dussel extends Marx's theory of intra-industry competition and market

value to the crucial question of 'dependency'. In today's global capitalist economy, the low-productivity producers are in the underdeveloped peripheral countries, and the high-productivity producers are in the centre countries; therefore, there is a transfer of surplus value from the peripheral countries to the centre countries, i.e. super-profits for the centre countries and loss of profits for the peripheral countries. 'The essence of dependency,' Dussel argues, 'is the transfer of surplus value from the less developed to the more developed countries.' Monopoly power of various types of the centre countries will increase the surplus value transferred to the centre countries, but Dussel argues that, even without monopoly power, the normal competitive mechanism of the world capitalist economy results in a transfer of surplus value from poor countries to rich countries, which of course further impoverishes the poor countries, and continues and exacerbates their problem of 'dependency'.

The implications of Dussel's theory of 'dependency', based on Marx's theory of competition and the distribution of surplus value, are truly profound. Dussel's theory implies that the situation of 'dependency' and the transfer of surplus value from the poor countries to the rich countries will continue as long as the poor countries remain behind the rich countries in technology and productivity. This seems likely to continue for a very long time. Furthermore, Dussel's theory suggests that the problem of dependency will not be overcome by the elimination of the various monopoly privileges of the rich countries. It also suggests that class struggle by itself within the underdeveloped countries is not enough to end the exploitation of workers. National liberation is also necessary in order to overcome the problem of 'dependency', i.e. the transfer of surplus value produced by workers in underdeveloped countries to capitalists in the advanced countries. An entirely new world economy is necessary in order to end the exploitation of workers in underdeveloped countries.

Dussel concludes again that the urgent task of Latin American philosophy of liberation is to further develop Marx's theory and to 'discover in it new possibilities *based on the people's praxis of national liberation*, based on the "logic of the majorities" (but of the majorities as subjects of the history of liberation'.

7 Conclusion

Dussel argues in this book that Marxian scholars, and Latin American philosophy of liberation in particular, have the urgent task of understanding Marx's theory better and more thoroughly, in order to be able to further develop this theory and apply it to the widespread and urgent social needs and problems of today's global capitalist economy. Marxian theory provides the best available explanation of the continuing and pervasive poverty around the world. We now have almost all of Marx's manuscripts available to us for the first time (at least in German and most of them in English

translation). Dussel argues that this conjuncture marks a new era in Marxian scholarship, which he calls 'Marx's second century'. Dussel suggests that we should return to Marx's texts with 'the enthusiasm of youth' and deepen our understanding in order to further develop Marx's theory and put it to use in the service of the liberation of Latin America and the rest of the world. The most important contributions of Marx's theory, according to Dussel, lie in the future. Marx's second century will be much better than the first.

Dussel also argues that further advances in Marxian theory are more likely to come from the underdeveloped periphery of the world capitalist economy, rather than from the advanced countries, because the need for Marxian theory is so much greater in the impoverished periphery. Critical theory, Dussel argues, follows hunger ('the desire to eat') (please note the epigraph at the beginning of this introduction).

Dussel's work itself is an excellent example of significant new developments in Marxian theory coming from the underdeveloped periphery of global capitalism. Hopefully, translations of the other two books in Dussel's trilogy on Marx's economic manuscripts will soon follow. Dussel's books are not the final word on Marx's economic manuscripts and Marx's economic theory, but they do represent a major step forward, and should stimulate much further in-depth study and discussion of all four drafts of *Capital* in Marx's economic manuscripts.

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Author's introduction

In 1932, with the publication of the 'Economic and Philosophical Manuscripts of 1844' – and the famous reflections by Herbert Marcuse – there began a revision of Marx's thought, a reaction to the extreme economism and ingenuous materialism of Soviet Marxism. In 1939, the *Grundrisse* was published, but went unnoticed owing to the Second World War. A second edition appeared in 1954 which did not improve matters much. It was not until 1968, with the publication of Roman Rosdolsky's *Zur Entstehungsgeschichte des Marxschen Kapitals* (*The Marking of Marx's 'Capital'*) that a rediscovery of the historical evolution of Marx's creative thought occurred.

The *Manuscripts of 1861–63*, the subject of this book, is the second draft of *Capital* (following the *Grundrisse* of 1857–8). These *Manuscripts* were published for the first time in German from 1976 to 1982. They include the three previously known volumes of *Theories of Surplus Value*, now critically edited.

The third draft of *Capital* was the *Manuscripts of 1863–65* published in 1988 (MEGA II, 7, Vol. 1),¹ which includes the famous 'Unpublished Chapter VI' of Volume 1 of *Capital* from 1864, and *Manuscript I* of Volume 2, hitherto totally unknown. *Manuscript I* of Volume 3 followed (MEGA II, 7, Vol. 2), which meant that this third draft of *Capital* was known for the first time.

Furthermore, two new critical editions of Volume 1 of *Capital* appeared in 1988 – the fourth draft of *Capital* – the first edition of 1867 (MEGA II, 5) and the second edition of 1873 (MEGA II, 6).

Today it is fashionable to consider ourselves in a period of 'post-Marxism'. I think that especially in Latin America – but also in Europe and the United States – rather than being in a period of 'post-Marxism', we are in a time of serious, measured, profound re-encounter with Marx *himself*. In the 'second century' of Marxism – if one considers the first to be from 1883 to 1983 – we will rediscover in Marx a source of scientific thinking that can be used today, more than in the nineteenth century, for a critique of globalized capitalism.

I

Between August 1861 and July 1863, Marx wrote twenty-three Notebooks, which were published in German for the first time between 1967 and 1982.

This material was consulted by Engels and Kautsky in order to publish the so-called Books II, III and IV of *Capital*. Unknown to the later Marxist tradition, these Notebooks consist of 1,472 manuscript pages, which add up to 2,384 printed pages in the German edition, and five volumes in the English edition (Marx 1989). This huge body of material, which Engels briefly described in the Preface to Book II of *Capital*, is an intermediate stage between the *Grundrisse* of 1857–8² and the writing of the *Manuscripts of 1863–65* and Book I of *Capital* (which was published in 1867).³ Up to this moment, I have not found a book which deals *in extenso* with all these *Manuscripts of 1861–63*, although there are some partial works, such as Wygodski (1978 and 1965), Müller (1978), Tuchscheerer (1968), and the 'Projekgruppe' (1975). And, lastly, there is also the recent work of various authors, among them the publishers of the *Manuscripts of 1861–63* (Wolfgang and Müller 1983).⁴

During these two years (when Marx was forty-two to forty-five years old) – from August 1861 to July 1863 – Marx was living in London at 9 Grafton Terrace, not far from the beautiful Hampstead Heath (the park in which Marx loved to walk whenever he was able to, and near Highgate Cemetery, where he is buried). Those were very hard times for Marx and his family: poverty (almost misery), sickness and even solitude (the International Working Man's Association was founded in 1864), were a constant worry for the, up to that moment, almost ignored German exiled in London.

On 25 February 1862, Marx wrote to Engels telling him that 'taking all in all, leading such a dog's life is hardly worthwhile' (MECW. 41: 341).⁵ And on 18 June, he communicated again to his friend: 'Every day my wife says she wishes she and the children were safely in their graves, and I really cannot blame her, for the humiliations, torments and alarums that one has to go through in such a situation are indeed indescribable' (MECW. 41: 380). In September of that year, the desperate Marx considered abandoning his studies in order to devote himself to feeding his family. For this purpose, he intended to work as an employee on London's railway. But he failed the admission exam because of his bad handwriting.

Years later, on 30 April 1867, he wrote about this dark time: 'I had to make use of every moment when I was capable of work to complete my book, to which I have sacrificed my health, my happiness, and family [...] If one wanted to be an ox, one could, of course, turn one's back on the sufferings of humanity and look after one's own hide. But I should really have thought myself *impractical* if I had pegged out without finally completing my book, at least in manuscript' (MECW. 42: 366). Still worse, in 1860 Marx had to lose time and energy in order to write the self-defence manuscript against Vogt, since, in his solitude and difficulties, he thought such an attack could destroy his future political and even personal possibilities. In reality, this defence was a waste of time, but not for an entrapped Marx. On 23 February 1859, Marx wrote a kind of *curriculum vitae* in the 'Preface' to the *Contribution*; in this writing we find out what were for him his most important works up to that moment: his articles about the wood robberies and about the parcelling of

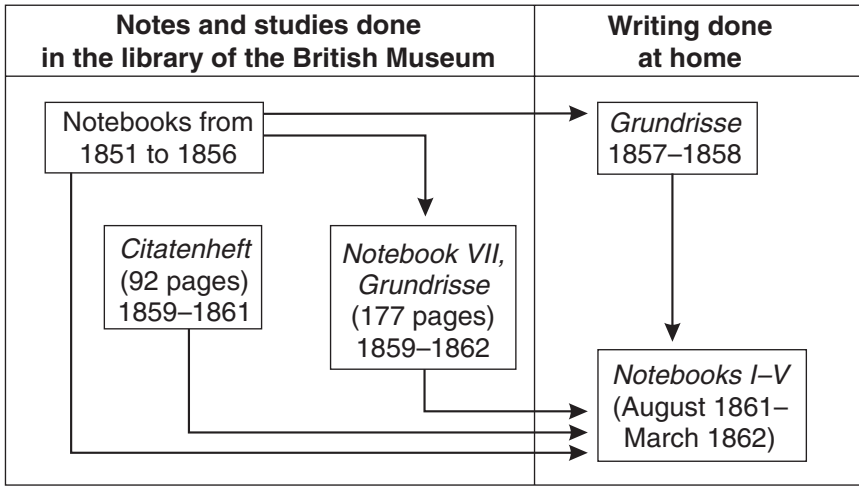


Figure 1 Form of studying and writing the *Manuscripts of 1861–63*.

Source: Müller 1977; Wygodski 1982.

the land ownership in Mosel, the justification of his critique of French socialism and communism (I remember now having criticized Marxism during the 1970s, but ‘Althusserian’ Marxism, although some thought that I was criticizing Marx *himself*), the critique of Hegel’s *Philosophy of Right*, the *Manifesto*, the *Poverty of Philosophy*, a short writing on *Wages* and all the articles of the second period of the *Rheinische Zeitung*. And in the ‘Preface’, Marx also mentioned the British Museum, which he started using in 1850. When he finished writing the ‘Preface’, Marx wrote: ‘This sketch of my studies in the domain of political economy is intended to show that my views [...] are the outcome of conscientious research carried on over many years’ (Marx 1972: 23).

In fact, long years of hard theoretical work had filled Marx’s everyday life. His working ‘technique’ was interrupted, limited by poverty (which demanded that he write his Notebooks of abstracts in the British Museum), but maintained by a firm tenacity, founded in an ethical passion which departed from a commiseration for the pain of the poor, oppressed and exploited. Figure 1 lets us see this process.

From Growen Street, Marx perhaps had access to the museum’s library, which since 1857 – when he started the *Grundrisse* – had a huge, well-lit dome. In desk ‘O–7’ (nobody knows for sure) he read the hundreds of books quoted in his work. He prepared a ‘Quotation Notebook’ (*Citatenheft*)⁶ in the museum during the day, which was the one he used to write the twenty-three Notebooks that constitute the *Manuscripts of 1861–63*. But, in addition, he also used Notebook VII of the *Grundrisse* for notes in the museum, from p. 63b to p.192 of the manuscripts.

For his writing at home, usually during the night, he also used his

numerous Notebooks from former years (1851–56). There are also cases of clear consultation and even copying from the *Grundrisse*.

Knowing Marx's existential anguish and the limits of his investigation 'technique' – since he did not possess many books – his talent to overcome so many adversities is overwhelming. His text is clean, coherent, profound. However, he was not satisfied with it; it was not yet ready for publication. Although the work is before his eyes like an artistic whole, the artist does not feel expressed in it, and consequently, as with many other works, he shall deliver it to 'the rodent's critique'.

As in the case of the *Grundrisse*, we shall enter into Marx's own 'laboratory' and see how he develops concepts, constructs categories. We shall see where there is progress in relation to the *Grundrisse*, but we shall also see his immaturity if we compare these manuscripts with *Capital*.

II

Marx was not like Nietzsche, who used to write aphorisms on the run with inspiration and his pen. By contrast, Marx needed to meditate about the 'plans' of his future work – which would move the foundations of world history in the twentieth century. There are at least some nineteen plans up to 30 April 1868. The first ten plans have already been discussed in a former work (Dussel 1985a, Section 2.4: 60ff.). Now it is time to depart from Engel's letter of 13 January 1859:

The Manuscript amounts to about 12 sheets of print (3 instalments) and – don't be bowled over by this – although entitled 'Capital in General', these instalments contain *nothing* as yet on the subject of capital, but only the two chapters: 1. The Commodity; 2. Money or Simple Circulation.
(MECW. 40: 368)

The first part of this work was conceived in four sections; the first of these sections was on 'capital' (the other three would be: 2. competition, 3. credit, and 4. stock capital). Marx was planning this book as the first of six books (the others would be about 2. rent, 3. wages, 4. the state, 5. international relations, and 6. the world market). At this moment, the section on 'capital' had three chapters: commodity, money and capital as such. Marx failed in his attempt to write the chapter on money in the so-called *Urtext* of 1858 (see Dussel 1985a, Section 16.3: 329ff.). For this reason, the *Manuscripts of 1861–63* begin with 'chapter III':

A Contribution to the Critique of Political Economy [is announced on the cover of the first Notebook of these *Manuscripts*]. Third Chapter. Capital in general. A. August 1861. Third Chapter, Capital in general.
(MECW. 30: 5–6)

Therefore, all the *Manuscripts of 1861–63* should be considered as parts of ‘chapter III’. But in reality, and very soon, Marx understood that it was a lot of material for a single chapter. As a consequence of his inquiry, the primitive plan expanded into many parts. In a letter to Weydemeyer, dated 1 February 1859, he points out in detail the outline of the *Contribution* (with differences, though). His future work would consist, then, of six books; the first book is divided into four parts; the first part in three chapters: commodity, money and capital. The same pattern is repeated in the first lines of the Preface to the *Contribution*. At the time he finished writing the *Contribution*, and was looking forward to starting ‘chapter III’ promised to the publisher as an instalment, Marx started the theoretical work on capital itself; namely, he started preparing analytical plans on the subject. For this purpose, he decided, to begin with, to write a ‘Review of my own Notebooks’ – as he wrote in a summary of the *Grundrisse*, Notebooks *M, I–VII, B’ and B’* in February 1859 (MECW. 29: 518–32). It is very important to remember this ‘Review’ for the reading of the *Manuscripts of 1861–63*, because we can see in it Marx’s perception of the subjects still belonging to the *Grundrisse*. We shall return to this matter below.

In February or March of the same year, or maybe later, Marx clearly elaborated a plan for ‘chapter III’ – which was never published after all. In this plan, which is at the same time a ‘review’ of the *Grundrisse* (which shows Marx’s form of work shown in Figure 1), the plan of Notebooks *I–V* of these *Manuscripts of 1861–63* is found to be almost the same, with just a few changes.

The similarity between this plan and the one considered for the writing of these Notebooks is so great that one can assume that when writing his notes, Marx in fact had this draft project of February–March 1859, or of the summer of 1861, before him. Words, and even concepts, are the same. The usefulness of this plan, on the other hand, lies in the fact that it allows us to know exactly which texts of the *Grundrisse* Marx is referring to. Articulation of the plan is as follows:

- I. Production process of capital
 - 1 Transformation of money into capital
 - a Transition
 - b Exchange between capital and labour capacity
 - c Labour process
 - d Valorization process
 - 2 Absolute surplus value
 - 3 Relative surplus value
 - a Simple cooperation
 - b Labour division
 - c Machinery
 - 4 Original accumulation
 - 5 Wage labour and capital

Manifestation of the law of appropriation in the simple circulation of commodities. Inversion of this law.

(MECW. 29: 511–17)

Regarding the outline of the *Manuscripts of 1861–63*, there are only small differences which indicate that, from March 1859 to August 1861, a maturing process took place. As an example, in 1859 he speaks in I. 1[β] of ‘Exchange between *capital* and labour capacity’; while in August 1861, ‘money’ replaces ‘capital’. In other words, in 1859 Marx was not clearly aware that the first confrontation was between ‘money’ which was not yet ‘capital’.

This plan still includes a second part on ‘Circulation process of capital’ (which would be the future Book II of *Capital*), and a third part on ‘Capital and profit’, which we discuss in Chapter 10.

Besides the letter to Kugelmann of 28 December 1862 (MECW. 41: 435)⁷ we must analyse, when the time comes, the whole plan of 1863, which shows all the advances of the *Manuscripts* herein commented upon.⁸

But the main problem is not just to reach clarity regarding the plans, but also regarding the development of concepts and the construction of categories with which the *dialectical* discourse of the critique of the bourgeois political economy had to be articulated. New categories were required, as well as a new system, as the condition of possibility of a new order of the concepts (which is shown in the plans). So, considering the theoretical ‘laboratory’ work included in these *Manuscripts of 1861–63*, we can point out in a general form that it is a much more advanced analysis than in the *Grundrisse* (and this has to be demonstrated in each case), but not as developed as in the *Manuscripts of 1863–65* and *Capital* (which also has to be indicated).⁹

What are the theoretical advances of these *Manuscripts of 1861–63*? What are the points where the advances are obvious and clear? We shall see all this during the development of our commentary, as we pass from one chapter to another. But from the beginning, we would like to emphasize several key issues.

In the first place, let us recall that the *Manuscripts of 1861–63* include three stages of writing and subjects (Focke 1983: 30ff.):

- 1 From August 1861 to March 1862, Marx wrote Notebooks I–V, which comprise the subject matter of the future Book I of *Capital*, but only up to the subject of relative surplus value. At this point, Marx interrupted his writing in order to ensure what had already been accomplished (MECW. 30: 1–346) (our chapters 1–3).
- 2 From March 1862 to November of that same year, he wrote Notebooks VI–XV (up to handwritten p. 944 of the manuscripts). Marx constructed new categories and deepened his articulation of the subject of surplus value from various historical perspectives in the volumes called *Theories of Surplus Value* (MECW. 30: 347 – MECW. 32) (our chapters 4–9).
- 3 From November 1862 to July 1863, Notebooks XV–XXIII, Marx developed

several subjects which would correspond to Books II and III of *Capital*. In the last part he returned to issues supplementary to Notebooks I–V, but he also discusses subjects of the future Book II (reproduction) and Book III (profit, production price, etc.) (MECW. 33 and 34) (our chapters 10–11).

After these *Manuscripts*, Marx then wrote the *Manuscripts of 1863–65* (of which up to the present time only the one called *Unpublished Chapter VI* is known; MECW. 34: 355–466), which included a draft of the future book II of *Capital*, and the only draft of book III (used by Engels for its publication in 1894).

Let us return then to our subject, but starting with an example which could guide us. The category of *surplus value* is a complex one, namely, it presupposes for its *construction* (the fruit of a theoretical productive ‘development’) many other more simple ‘categories’. In order to construct the category of surplus value, at least the ‘category’ of *surplus time* or *surplus labour* was required. To constitute this category, it was necessary to develop the category of *necessary time*. The latter, on the other hand, requires the category of *labour capacity*; and this one, at the same time, the category of *living labour*, as the ‘creative source of value’, with no value at all; and the latter, by contradiction, requires the category of ‘objectified, past’ labour, as *variable capital*, money expressed in *wages*, which pays the value of labour capacity. Living labour, on the other hand, not only opposes objectified past labour (money, capital) but, in addition, concrete labour (*which produces use values*) and abstract labour (*which determines exchange values*) must also be distinguished in it, from which the category of value shall be obtained. By means of all the foregoing, the *complex* ‘category’ of ‘surplus value’ can be constructed.

In these *Manuscripts of 1861–63*, Marx constituted *new* categories (Figure 2) demanded by a dialectical discourse which is entering reality, the essential structure of the real, developing its concept, and thus he needs new hermeneutical instruments. To discover, on our part, the ‘necessity’ of these categories, is really to understand Marx, to discover his method, the content and the order of his categories. This would enable the Latin American philosopher and economist to ‘develop’, as Marx did, the *new* categories required by *our* unique, original reality (reality is ‘original’, not philosophy).

The ‘development’ of the *concept* of capital and the ‘constitution’ of *categories*, on the other hand, is a *process* which establishes a relationship with *reality* itself which, on its part, is equally a concrete historical process. Engels wrote clearly that ‘the concept (*Begriff*) of a thing (*Sache*) and its reality (*Wirklichkeit*) run side by side like two asymptotic lines: always approaching each other, but never meeting’ (Marx and Engels 1975c: 457). It is the case of an ‘essential infinite process’ – he says in the same letter – of the non-coincidence of concept with reality, and of concept with its phenomena, with its ‘appearance (*Erscheinung*)’. Let us take a few pages from the *Manuscripts of 1861–63*, Notebooks VI–VIII. Marx distinguishes, first, between ‘intuition’

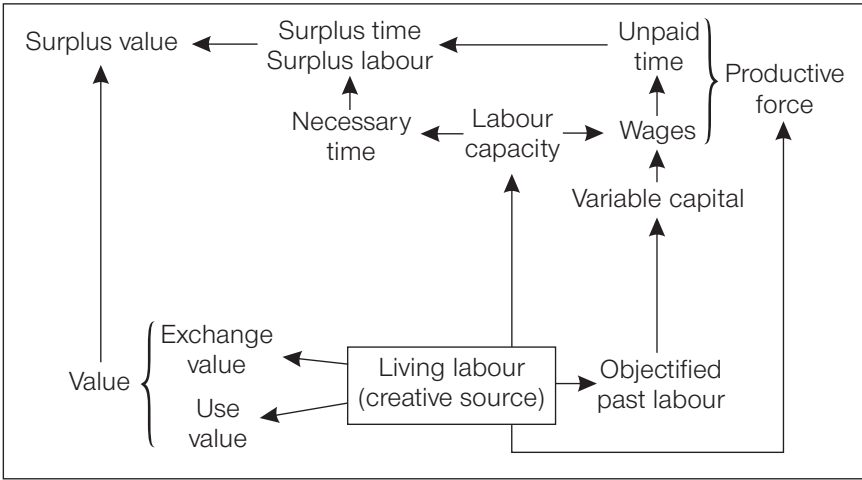


Figure 2 Development of the concept and constitution of simple and complex categories.

and ‘concept’ (‘In one passage of Petty’s there can be seen an *intuition* (*Ahnung*) of the nature of surplus value, although he treats it only in the form of rent’ (MECW. 31: 78–9). ‘Intuition’ (as ‘suspicion’ or ‘abduction’ of Peirce) is an obscure, an initial ‘conception’ (conceptualization or formation of a concept).

‘Concept’ is an explicit representation, but it can also be a ‘false’ conception (the Physiocrats, starting from a ‘false (*falsch*) conception’, ‘false representation (*Vorstellung*)’; or a ‘confusion’ – Marx’s preferred term to describe the necessary error of bourgeois political economy.¹⁰) True ‘conception’ or ‘concept’ is clear, and the determinations which constitute them are not confused; they are distinguished. ‘Intuition’ is ambiguous and initial; a false concept is confusing; a true ‘concept’ has well-delimited determinations. Such ‘determinations’, constitutive of the concept ‘determine its *content*’; the ‘various objective components (*gegenständliche Bestandtheile*)’ (MECW. 30: 352) are separated in the abstract determinations¹¹ with which the concept is developed. As for the ‘concept’, it can be placed in a ‘general abstract form’ (essence) or it can manifest itself as ‘a phenomenal form’ (on the surface). Concept, in addition, must be distinguished from mere ‘empirical appearance’¹² (*empirischer Schein*)’ (MECW. 30: 402).

A ‘category’, however, is not the ‘concept’. A ‘concept’ (according to its own name: effect of a rational conception) refers to the global *content*, and in movement (it is a conceptualized ‘whole’: e.g. capital), while ‘categories’ indicate a moment of the concept, constituted by the ‘representative understanding’ (it is the analytical moment; by contrast, conceptualization is dialectical), as an interpretative instrument in the order of concept, of a system,

of a plan, of a dialectical discourse. Concept means relationship to a total and dialectically mobile structure of determinations; categories mean relationship to other parts of a whole, to other categories (they are 'parts' of a scientific, systematic discourse). Marx then moves from 'intuitions' to 'concept', and during the *development* he constitutes 'categories'; he passes from false, confusing moments, to clear and distinct moments in the systematic order demanded by reality. In addition, he 'names' the concept and categories ('This service [...] is limited to fixing the abstract categories, to the greater consistency of the baptismal names which he gave to the distinctions [...] in their analysis'; MECW. 30: 353), although quite frequently such names (taken from bourgeois political economy) have variations and different meanings. There is, and this shall be a central hypothesis in our work, an evolution of contents and denominations in Marx's thought, conceptual and categorial semantic changes. As an example, up to *Notebook XV* of these *Manuscripts of 1861–63*, the category 'cost price' means, in most of the cases, 'price of production'. There is thus a *genetic evolution* in the constitution of Marx's categories. The text must then be read very carefully, with a continuous 'epistemological intention', attention, since there is a non-homogeneous evolution at the nominal, conceptual and categorial levels. Marx elaborates, in the 'laboratory' of the *Manuscripts of 1861–63* new names for new concepts and categories, starting from the false and confusing names, concepts and categories of the existing bourgeois political economy, placing them in addition in a new systematic order (before and after) and in a structure of different levels (profundity of essence, superficiality of appearance). I shall analyse carefully all the foregoing in Chapters 9 and 12, to which I refer at this moment.

To conclude, I thank Fred Moseley (Mount Holyoke College, Mass.) for having conceived of the idea of the translation of this book into English. Without his participation, corrections and friendship, this English edition would have been impossible.

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Part I

The central Notebooks of 'Chapter III'

The production process of capital

The first five Notebooks of the *Manuscripts of 1861–63* were written between August 1861 and March 1862 as a perfectly constructed discourse, with logical continuity and achieving a certain definite form. And we say 'certain' because the text which corresponds to *Capital* (Parts II to IV of Book I) would later undergo changes. The subject matter which we shall discuss in Chapter 1 is more developed in some aspects than that of *Capital*; not so the subject matter which corresponds to Chapters 4 and 5. This manuscript represents some progress with respect to the *Grundrisse*,¹ but it does not deal with many of the subjects Marx had been discussing since November 1857.²

In this part, the 'passage' from money to capital is accomplished. From the abstract 'being' of 'money' (part or determination of the 'whole'), now an ascent is made to the 'essential concrete totality': capital. It is a dialectical 'ascent', which, paradoxically, has not been sufficiently studied by the Marxist tradition. These *Manuscripts of 1861–63* reinforce what we had already discovered in the *Grundrisse*. We consciously indicate some new aspects in the Marxist tradition: the category of 'totality' does not explain this passage. Only the implicit, but frequently used by Marx, category of 'exteriority' – as we have called it in other works – provides the hermeneutical code which allows a new perspective on the totality of Marx's discourse. We shall discuss this category in Chapter 1, giving it a special importance in our interpretation.

At that time, the following was Marx's working plan:

- 1 Transformation of money into capital.
- 2 Absolute surplus value.
- 3 Relative surplus value.
- 4 Here the question of accumulation should be included, but, a short time later, Marx speaks in the same terms of the 'combination' of 'absolute' and 'relative' surplus value (p. 311).
- 5 Theories of surplus value.

Up until January 1863 this original plan was respected, but modifications were gradually made.

1 Money becomes capital: from exteriority to totality

Notebooks I and II, pp. 1–88;
started in August 1861 (MECW.
30: 9–171)

In contrast to money (or value in general) as *objectified labour*, labour capacity (*Arbeitsvermögen*) appears as a capacity of the living subject; the former is past labour, labour already performed, the latter is future labour, whose existence can only be the living activity, the currently present activity of the living subject itself [...] The capitalist, who represents value as such, is confronted by the worker, as labour capacity pure and simple, as worker in general, so that the antithesis between self-valorizing value, self-valorizing objectified labour, and living value-creating (*wertschaffenden*) labour capacity forms the point and the actual content of the relation. They confront each other as capital and labour, as capitalist and worker.

(p. 41)

Karel Kosík writes that ‘the category of totality [...] has been elaborated in classical German philosophy as a central concept [...]. In the materialist philosophy, the category of concrete totality answers first and foremost to the question: what is reality?’ (Kosík 1976:17–18). Decades before, George Lukács had written that ‘the concrete totality is then the fundamental category of reality’ (Lukács 1968: 10). And speaking of the Marxist ontology, he writes that ‘since Marx is investigating the social being, the central ontological place of the category of totality is manifested to him, much more than in the case of the philosophical investigation of nature [...] because in society, totality is always given in an immediate form’ (Lukács 1972: 34). The text which we shall analyse is the third one in a sequence of drafts: (1) from the *Grundrisse*,¹ (2) from a later part of the *Grundrisse*, the so-called *Urtext*,² and (3) in the beginning of Notebook I of the *Manuscripts of 1861–63* being commented upon; and (4) Part 2 of Volume 1 of *Capital*. These four successive texts allow us to affirm that, if it is true that ‘totality’ is the fundamental category in the analysis of capital ‘already given’, then only from the category of ‘exteriority’ – from the reality of the ‘living labour’ beyond capital, against Kosík’s opinion – can one understand the possibility of the original development of capital and the critique of bourgeois political economy. Once capital exists, then the ‘totality’ functions as the ontological category par excellence.

4 *Money becomes capital: from exteriority to totality*

In the dialectical process, the ‘appearing’, or the ‘construction’ of the ‘development’ of money into capital must be situated precisely in this ‘from where’ capital and the critique emerge. If ontology deals with the ‘totality’ (of being), metaphysics (or trans-ontology) describes the dialectical constitution of totality from the ‘exteriority’, from the real reality (as Marx liked to express it, non-tautologically).

1.1 New syllogism: M–C–M (MECW. 30: 9–33)

Then Marx posed first the transcendental ‘passage’ of money into capital. In the first place, as in the *Grundrisse*, commodities ‘become’ money. Now the radical transition is made. This is a real metaphysical jump. It seems that in June 1858 – in the ‘Index for the 7 Notebooks’ (MECW. 29: 421–3) – Marx already had clearly in mind the question of the ‘transition of money into capital’, in the same systematic place as the ‘passage’ of ‘being into essence’ in Hegel’s *Logic*. Hence, in the ‘draft of the 1859 project’ written in February or March 1859 (or afterwards, in 1861, according to some authors), there appear references to passages in the *Grundrisse* on this subject (MECW. 29: 518–32).

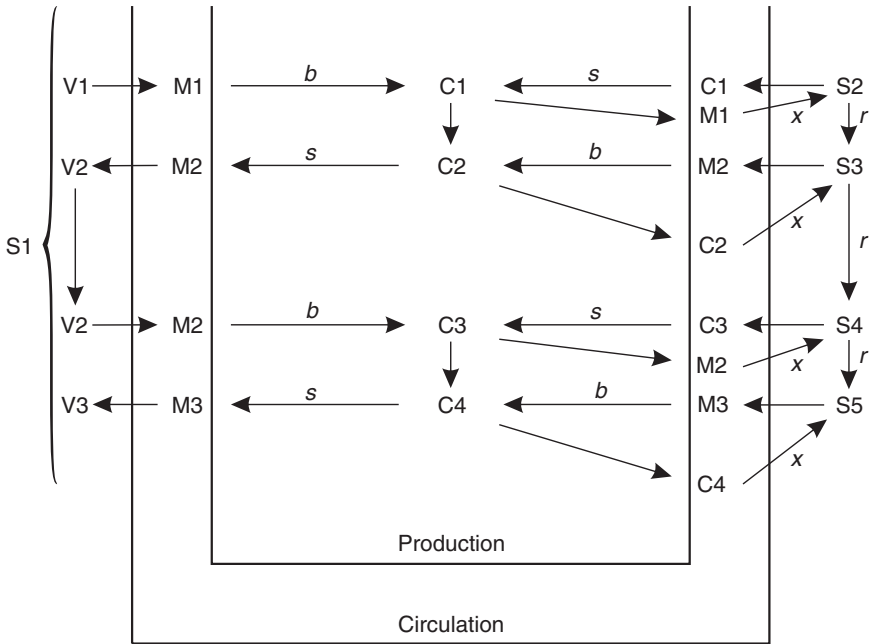
In Marx’s discourse, this ‘passage’ has three prior moments – which are reflected in the *Urtext*, in this Notebook I, and which are equally present in the *Grundrisse* and in *Capital*. Let us see in this section the first two moments: ‘M–C–M. The general formula of capital’ and ‘Difficulties derived from the nature of value’.

To summarize, the discourse follows this path: we start from simple circulation (C–M–C), selling in order to buy, in which money is only a means of exchange or circulation (the level of ‘appearances’ or ‘phenomena’). But ‘behind’ the superficial appearance of circulation, a new formula develops; M–C–M, a new, profound ‘movement’, where the presence of the permanence of a bifacetic subject is discovered: objectively, the same value is permanent and grows only in its quantity; subjectively, the capitalist, as a person, is permanently the subject of appropriation of the increasing value.

The starting point is a *person*, who is the owner of the money (references to Figure 1.1 are between brackets):

It is the money owner [...] who makes his money, or the value he possesses in the form of money, pass through the process M–C–M [M1–C1–C2–M2]. This movement is the content of his activity and he therefore appears only as the personification (*Personnification*) of capital defined in this way, as the capitalist. His person (*Person*) (or rather his pocket) is the starting point of M, and it is the point of return. He is the conscious vehicle of this process. Just as the result of the process is the preservation and increase of value, the self-valorization of value, what forms the content of the movement appears in him as a conscious purpose. [...] A capitalist [is] the conscious subject (*bewusstes Subjets*) of the movement M–C–M.

(p. 19)



Explanation: Capitalist (S1) buys (b) with money (M1) a commodity (C1) from the proprietor (S2); they sell (s) it; with C1 he produces C2, which he sells (s) to the consumer (S3) who consumes it (x), obtaining a greater amount of money (M2). The value (V1) has increased. *r*: reproduction.

Figure 1.1 'Entrance' and 'exit' of money and commodities. 'Permanence' of the subject person (capitalist) (S1) and the subject value (V).

Marx wishes to indicate the difference with the syllogism C–M–C. In this case, many subjects enter into circulation as sellers and come out as consumers. Nothing in reality remains nor grows: only money is always in circulation, as means and not as an end, and the circulation is the *place where* exchange is made. While the M–C–M formula is different:

value becomes independent in money (if we employ the word value without defining it more closely, it must always be understood as exchange value),³ hence value emerging from circulation [V2], enters again into circulation [M2], maintains itself in it [C3], and returns from it multiplied (returns as a greater magnitude of value) [V3].

(p. 11)

The money which entered into circulation (M1) is less than the money coming out from it (M2), namely, the value (V1) which circulates under the

6 *Money becomes capital: from exteriority to totality*

form of money is being increased (V2) in the hands of the capitalist himself (S1).

The value exists first as money [V1 = M1], then as commodity [C1], then again as money [M2] [...] The alteration of these forms therefore appears as its own process, or, in other words, value as it presents itself here is value-in-process, the subject of a process. Money and the commodity each appear only as particular forms of existence of the value [...] Money and commodity thus appear as the forms of existence of value-in-process or capital.

(pp. 12–13)

At this point, the deep ‘difficulty’ (which in *Capital* appears under the title of ‘contradiction’) arises: where does this surplus value that emerges at the end of each process come from? How is value, under the form of money (M1) greater at the end (M2 as form of V2)? Marx argues in different ways and shows that, in fact, ‘commodities are bought and sold at their value’ (p. 26). ‘The entire capitalist class’ (p. 25) cannot produce surplus value through the sale of commodities, because this class itself behaves as the main buyer. There would be no surplus value, but only the same value distributed among its members in several ways. Profit in the form of interest or commercial profit ‘presupposes’ ‘the existence of the surplus value as such’ (p. 32). Neither money nor commerce ‘creates’ value.

Thus, capital, different from money, presupposes circulation and always passes through circulation as money: but new value can emerge from circulation alone.

1.2 Face-to-face encounter of the owner of money and the owner of labour. Creative exteriority (MECW. 30: 33–50 and other texts)⁴

One cannot ‘pass’ immediately from labour into capital; the mediation of a third moment would be required; that is, value. When objectified labour posits value and the value is capital, such a ‘passage’ can be performed. Convertibility, commensurability or exchangeability between money and capital and between both with labour shall be performed then through the mediation of value. Nonetheless, if this passage is possible, because money and capital are value, it is an absolutely peculiar intervention of the ‘living labour’ (a new concept, not used up to this moment), which creates capital as capital.

(a) *Exteriority of the ‘creative source of value’ from the ‘non-capital’*

In the analysis of the exchange between money and labour (exchange between the S1, the capitalist, and S2, the labourer, of Figure 1.1), Marx begins from the ‘non-capital’ (*Nicht-Kapital*), non-raw materials, non-labour

instrument, non-product, means of non-life, non-money' (text quoted below). All these negativities already announce that the *realm*, which is located beyond the being of capital is, however, the same 'creative' reality of value – which must not be confused with the mere 'positing' of value; namely, capital as capital. If Parmenides said: 'Being is, non-being is not', Marx – and here liberation philosophy agrees – by contrast announces: 'The Being of the capital is value, non-being (non-value) is real'. As affirmation of the exteriority (affirmation of the reality of the non-being) metaphysics transcends ontology (the mere affirmation of being).

Certainly considering the text of the *Grundrisse*, but modifying it (and in the modifications are important corrections of concepts), Marx writes:

The separation of property from labour appears as a necessary law of the exchange between capital and labour [Up to here there is only one difference with the *Grundrisse*, but from this point he starts important corrections] As *not-capital, not-objectified labour*, labour capacity appears:⁵ (1) Negatively not-raw material, not-instrument of labour, not-product, not-means of subsistence, not-money: labour separated from all the means of labour and life, from the whole of its objectivity, as a mere possibility (*Möglichkeit*). This complete denudation, this *possibility of labour* devoid of all objectivity. Labour capacity as *absolute poverty*,⁶ i.e. the complete exclusion of objective wealth. The objectivity possessed by labour capacity is only the bodily existence (*Leiblichkeit*) of the worker himself, his own objectivity. (2) *Positively*. Not-objectified labour, the unobjective, subjective existence of labour itself. Labour not as object but as activity, as living source (*lebendige Quelle*) of value. In contrast to capital, which is the reality of general wealth, it is the general possibility of the same, asserting itself in action. As *object*, on the one hand, labour is *absolute poverty*; as subject and activity, [on the other,] it is the general possibility of wealth. This is labour, such as is *presupposed* by capital as antithesis, as the objective existence of capital, and such as for its part it in turn presupposes capital. [Marx finishes copying from the *Grundrisse*]

(pp. 170–1)

Up until now, Marx has discussed concrete or abstract objectified labour. Only here he starts to construct a new category: 'living labour (*lebendige Arbeit*). Commodities, money and even capital, are value, objectified labour. On the other hand, living labour is not value, but the "creator of value" (*Werthschaffend*)'. According to Marx, 'to be' value, 'to posit' value and 'to create' value are three completely different concepts:

The sole antithesis to objectified labour is non-objectified, *living labour*. The one is present in space, the other in time, the one is in the past, the other in the present, the one is already embodied in a use value, the other, as human activity-in-process, is currently engaged in the process

of self-objectification, the one is value, the other is value-creating.
(*werthschaffenden Tätigkeit*).

(p. 35)

So then, the labourer, when he has *not* yet been subsumed by capital (or in its essential and original beginning, exchanged with money), it is *not* value, it is *not* money, it is *not* capital. What is it then with respect to the *totality* of capital? Here we start the debate with Lukács or Kosík. Can it be said that the ‘*living labour*’, as reality and category, is the same as ‘wage labour’ or labour already subsumed within the totality of capital? As subsumed, it is an *internal* determination of capital, and thus founded in the totality of capital. But while it has not yet been totalized, living labour is *reality* (the most absolute reality for Marx, and the measure of all de-realization *in* the totality of capital), it is exterior. To this metaphysical position (beyond the being or the ontological reflection) of the labourer as *corporeality* (poor, bodily existence of the nude body), as person, as not-being of capital, we have called it ‘exteriority’, the alterity of the Other than capital. To be ‘Other’ than the *totality* of capital is to still be in the exteriority. From this exterior alterity, on the other hand, is where the theoretical critique of Marx begins – as we shall often see in comments below.

If the ‘exteriority’ of the living labour did not exist beyond capital, then capital would not exist: where would its value come from? Thus ‘to posit’ (*setzen*) from capital (from the ground – *Grund* – of the totality), is not the same as giving existence to value from the non-capital, the non-being of capital, from the non-value, from the Nothingness (as Marx liked to write from *The Manuscript of 1844* to the texts regarding the fetishism of capital at the end of Book III of *Capital*). To create *ex nihilo* is a radical category, the first, the most original, and the starting point from which Marx shall develop all his discourse. Either I am wrong and then Lukács or Kosík and many others are right, or they are wrong and hence *all of Marx* has to be interpreted in some other form.

We have read in detail all the *Grundrisse*, these *Manuscripts of 1861–63* and the three Books of *Capital*, and we have not found any contradiction in the concept of ‘creation’ herein being discussed.

The ‘exteriority’ of living labour with respect to the ‘totality’ of capital is the *conditio sine qua non* for the total comprehension of Marx’s discourse. From this moment on, I shall refer on many occasions to the ‘living labour’; it will become the obligatory realm of all his argument and the radical place, beyond the ‘bourgeois perspective’. Not to understand the *absolute* position (the only real absolute in the totality of Marx’s thought and the ethical rule of all of his ethical judgments) of living labour, of the actuality of the labourer’s corporeality, or in other words, the person or subjectivity of the labourer, will lead bourgeois economics (and its philosophies as ‘philosophies of domination’) to fall into necessary hermeneutical mistakes. The truth of Marx’s analysis rests on and departs from the ‘real reality (*wirkliche Wirklichkeit*)’ of the Other

different from capital; the living labour as actuality, as creator of value or source of all human wealth in general, not only capitalist.

(b) The possibility or 'labour capacity'

In the Marxist tradition most of the time the term 'labour power' or 'productive power' is used. Marx in the *Grundrisse* and in these *Manuscripts* (and also afterwards in *Manuscripts of 1863–65*) clearly distinguishes between 'labour power' and 'labour capacity':

Let us now look at labour capacity (*Arbeitsvermögen*) in its antithesis to the commodity, which confronts it in the form of money, or in its antithesis to objectified labour, to value, which is personified (*personnifiziert*) in the money owner or capitalist [...] Labour capacity appears on the one hand as *absolute poverty*, [...] As such, conceptually speaking, he is a *pauper*, he is the personification and repository of this capacity which exists for itself (*für sich*), in isolation from its objectivity. Or the other hand, [...] the social form of this wealth, exchange value, is nothing but a particular social form of the objectified labour contained in the use values.

(pp. 39–40)

For Marx, the 'exteriority' of the living labour faces money (or capital, which is nothing but labour, already objectified and past) as 'potency', but potency as what is 'possible' in the future and also as 'power' or activity which produces objects:

The sole commodity he has to offer, to sell, is precisely his living labour capacity, present in his own living corporeity (Capacity is here absolutely not to be conceived as *fortuna*, *fortune*, but as potency, *dynamis*) [writes Marx in Greek].

(p. 37)

'Living labour' faces money (possessor of the objectified past labour) in its own corporeality, because it 'can' (has actual, real 'capacity', that is capable of being actualized) labour. Such capacity, still in the 'exteriority' of the 'totality' of the capital, is the bearer of the use value and the potential creator of exchange value:

Labour capacity is specifically distinguished as *use value* from the use values of all other commodities [...] because it is the creative substance (*schöpferische Substanz*) of exchange value itself. Its actual using up, its consumption, posits (*setzen*) exchange value. Its specific use value is that it creates (*schaffen*) exchange value.

(p. 42)

When capital consumes 'labour capacity' (as 'productive power') it forces it to *posit*, in the heart of capital itself, exchange value. But, as such, 'living labour' creates (from the nothingness of the capital) value. It is the 'substance' (in the Hegelian sense) as the cause that produces an effect: value.

The distinction between 'labour as such' and 'labour capacity' – two new categories of the theory of commodities and money – becomes absolutely essential for the later development of *all of Marx's discourse*. In fact:

Labour as such is not directly a commodity, for this is necessarily objectified labour, worked up in a use value. Ricardo does not distinguish between labour capacity as the commodity the worker sells, use value, which has a definite exchange value, and labour, which is merely the use of this capacity *in actu*. He is therefore incapable [...] of demonstrating how surplus value can emerge, namely the inequality between the quantity of labour the capitalist gives to the worker as a wage and the quantity of living labour the capitalist buys for this amount of objectified labour.

(p. 48)

If the capitalist would pay living labour the totality of the value produced, wages would be equal to the value of the product and there could not be any profit. In order to be able to explain the origin of the profit (superficial phenomena from the fundamental surplus value), an excision, a radical separation must be made between (a) labour as the creating activity without any value (and thus without any possible price) and (b) labour 'potency' or possibility (capacity). To 'be able to work', it is necessary to eat, dress, sleep, be educated, have children (the future labour capacity of the next generation), in other words, to have 'means of subsistence (*Lebensmittel*)'. What is paid with the 'minimum wages' or 'average wages' – different according to the various countries, the historical conditions and even the 'cultural conditions (*Kulturzuständen*)' (p. 44)⁷ is only the possibility of having the strength to work in the future. In the hour '0' of the working day, the labourer is 'ready' to work: he is rested, has eaten, is joyful, dressed ... 'he *can* work'. In other words, wages pay for the car's service but not for the car itself (it pays for the labourer's service but it receives for free the labour subject and the labour itself).

Due to the foregoing, the determination of 'the value of labour capacity' (p. 47), the price of the labour capacity in the wages, covers an essential fallacy: it is thought that the value of labour is paid when in reality only the value of the labour capacity is paid. The 'labour capacity' has value because the corporeality of the labourer has assumed, consumed and incorporated commodities (means of subsistence) which have value. The value of commodities bought in the market with his wages is now the value of his own 'labour capacity'. In a certain way, as the incorporation of wages, the 'labour capacity' is now the fruit of objectified labour also – and thus it shall be

commensurable, interchangeable, sellable for money: both shall be objectified, past labour. But 'living labour' shall never have value; thus, its non-value could not be determined; it shall not have a price nor shall it be able to receive wages ... because it is the 'creating source of value'.

(c) *Face-to-face before exchange*

Let us stop for a moment before the exchange agreement takes place. Let us stop the discourse in the supreme human experience. The pure presence of the capitalist, of the possessor of money (class, as 'totality' of possessors of past objectified labour), before the labourer, the possessor of 'living labour' (class, as possessors of the activity which creates all value, but negatively, in poverty and radical nudity, in 'exteriority'), poor.

This 'contradiction' is the opposition or total confrontation. It is the last moment in which, still 'face-to-face', the labourer is himself, Other, still free before a 'strange power', and not only strange but 'alienating' (makes the Other, another from himself, it othernesses him/her, reifies him/her, dominates him/her, subsumes him/her):

The fact that the worker, placed face to face with money, offers his labour capacity for sale as a commodity implies: (1) That the conditions of labour, the objective conditions of labour, confront him as alien (*fremde*) powers, alienated (*entfremdet*) conditions. Alien property. This also implies, among other things, the earth as landed property, it implies that the earth confronts him as alien property *Mere labour capacity*. (2) That he is related as a person (*Person*) both to the conditions of labour, which have been alienated from him, and to his own labour capacity [...] *Free worker*. (3) That the objective conditions of his labour themselves confront him as merely *objectified labour*, i.e. as value, as money and commodities.

(p. 131)

There we have the labourer in his nude and poor corporeality – as the prostitute – offering his/her pure labour capacity before the cold, dead, insensitive body of the capitalist, the face of whom only manifests itself as money, as commodity, as machine, as value! The skin of the labourer (as an unhealed wound) before the knife that will 'tan his skin' – as Marx wrote in *Capital*.

1.3 Exchange. The labour process and the valorization process (MECW. 30: 50–103)

As any commodity (C1 in Figure 1.1, with a labourer S2), the 'labour capacity' has a use value which fulfils a need (in this case the capitalist's) and it also has an exchange value 'as objectification of labour time in general' (p. 50).

Since it has an exchange value, such value may be expressed in money; namely, it has a price. The price of labour capacity is the wage (minimum or average in a certain society, historically and culturally determined). As value, it is labour capacity exchangeable for the money of the capitalist. Since it is a possible exchange, and once it is performed, we now pass to a new situation; for the first time, the money has been transformed into capital due to the mediation of the totalized, subsumed, living labour incorporated in its interiority:

The real use of labour capacity is labour. But it is sold as a capacity, a mere possibility before the labour has been performed, as a mere power (*Kraft*), whose real manifestation (*Äusserung*) only takes place after its alienation (*Entäusserung*) to the buyer. Since here the formal alienation [by sale] of the use value and its actual handing over are not simultaneous occurrences, the money of the buyer in this exchange mostly functions as *means of payment*.

(p. 52)

The 'labour capacity' is, in the foregoing face-to-face, in the exchange, the *possibility* of effectuating its use value (the labourer himself). As a result of the exchange, the possessor of money *promises* to pay in the future (when the daily, weekly, semi-monthly or monthly work has been completed), for having used the effectuality or actuality of this 'capacity' (S1 promises to deliver M1). The labourer accepts the offer and delivers (changes from possessor subject, from property); alienates, sells his capacity (S2 sells C1 in Figure 1.1). Judicially, formally, such 'capacity' belongs now to the possessor of money. And ... now this money, *and only now, not before*, is capital, because it has subsumed, assimilated, incorporated, totalized, 'living labour'.

This ontological act by which the 'exteriority' of 'living labour' is denied (and by which the latter is totalized or subsumed) is the labourer's 'alienation': negation of the Other (different from capital) and constitution of living labour as 'wage labour'.

The ethical perversity of capital is consummated at this moment, even before the effectivity of the purchase, the alienation. An Other man/woman, free, conscious, autonomous, is transformed into a thing, an instrument, a mediation of capital. From this moment on, the category of *totality* starts to fulfil its hermeneutical function, but not before, and it will never be Marx's original nor radical category.

Once alienated, subsumed, intra-totalized in capital, labour 'capacity' or 'possibility' passes to its act, to its 'actuality', to its effective use. The *potency* becomes *act*. Only at this moment, 'capacity' becomes 'power': from labour capacity now it is 'labour power'. This new and distinct category means then the passage to the effective actualization of labour as such: as the effectively productive power, but not before.

Once labour has been alienated as an essential determination of capital

(S2 is the same C1 in a productive moment of capital), the labour *as capital*, then its demiurgic task of producing a new commodity starts (the ‘passage’ from C1 to C2):

After the owner of money has bought labour capacity [...] He applies it as use value, consumes it. But the realization, the actual use, of labour capacity, is living labour itself. The consumption process of this specific commodity [...] is the labour process (Arbeitsprozess) itself [...] Just as the investigation of the use values of commodities as such belongs in commercial knowledge, so the investigation of the labour process in its reality belongs in technology (Technologie).

(pp. 54–5)⁸

The labour process itself appears in its general form, hence still in no *specific economic determinateness*.

(p. 63)

It is the case, then, of the material, concrete, technical labouring matter. It is the real everyday labour that uses material, that imprints a form, that produces a product for necessities, that expends the physical–biological force of the labourer, also his spiritual force. It is abstracted from all historical consideration, from all relation with a ‘social formation’. It is the ‘living labour’ materially used producing the product, in its real form with its use value (the ‘material content [*stofflichen Inhalt*]’ of wealth), working process as capital as subsumed, bought, alienated.

But formally, economically – namely, practically, ethically in the person-to-person relation or in the social relation – the (material) working process is also subsumed in the ‘valorization process (*Verwerthungsprozess*)’. Concrete labour, notwithstanding the time and social formation, is now determined as ‘social labour’ – in the capitalist sense of the word, no longer produces only materially a product with a use value, but also now it posits surplus value. According to Marx, to posit value is not the same as to posit ‘more’ value, ‘new’ value, ‘to valorize (*verwerten*)’. Labour that valorizes is a specific type of labour: ‘social’ labour (which, as we have said, is neither ‘communal’ labour, nor ‘living’ labour as such).

Marx here poses the question at three levels: the abstract type of labour that produces value (in the formal sense); the creation of more value or new value (the valorization process), and the ‘unity’ of the working and valorization process which, in the formal subsumption of the former into the latter, is now capitalist production, properly speaking.

In the first place, the valorization process presupposes the ‘social’ abstract labour which posits value:

Firstly, in accordance with its substance, spinning creates value, not as this concrete, specific, materially determined labour of spinning, but as

labour in general, abstract, equal, social labour. Therefore, it does not create value to the extent that it is *Materiatur* [a materialisation] of social labour in general.

(p. 77)

Any work is particular, determined, concrete, material, useful, with ends, qualitative, specific, etc., and it is then opposed to labour ‘in general’, abstract, equal (*gleich*), quantitative, average, social, etc. The latter is the one that posits value as objectification of the labour time of an ‘isolated’ individual (both in the division of the labour in the workplace and in the market as buyer). This individual is ‘social’, thanks to capital.

Afterwards, Marx starts to analyse ‘value’, no longer from its substance or productive cause (labour), but from circulation (from value to price: costs) (pp. 81ff.). Labour (fundament) appears on the surface in circulation as wages (its apparent price). Here Marx once again needs another category. Just as he had to distinguish, at the profound or essential level, between labour itself (‘living labour’) and ‘labour capacity’, now, at the superficial or circulation level, he distinguishes between the ‘total working day’ (time in which the ‘living labour’ is actually performed) and the ‘necessary time’ to reproduce the labourer’s ‘labour capacity’:

Originally, it is true, we were able to measure *labour capacity* with money, because it was itself already objectified labour, and the capitalist could therefore buy it; but were unable to measure *labour itself* directly, for as bare activity it escaped our standard of measurement. Now, however, in the measure to which, in the labour, the latter is realised, it appears itself in the product as objectified labour time.

(p. 83)

In other words, the *total* value of the product is the value actually created by ‘living labour’. Although the latter has no value, we can measure how much value it has created. Thus:

All *surplus (Mehrarbeit)* in excess of the quantity of labour incorporated in [reproduction of] his own labour capacity, would form a surplus value, because it would be surplus labour [... as] more labour objectified.

(p. 86)

Necessary ‘labour time’ to produce the value of the wage is less than the total value produced by labour. C2 of Figure 1.1 has more value than C1. It is the question of surplus value: although it seems paradoxical (‘Simple as this process is, it has so far been very little understood’; p. 89), everyone else has been wrong on this crucial question:

The economists [bourgeois] have never been able to reconcile surplus value with the law of equivalence they themselves have postulated. The socialists have always held onto this contradiction and harped on it, instead of understanding the specific nature of this commodity, labour capacity, whose use value is itself the activity which creates exchange value. (p. 89)

Marx has advanced very much in clarity with respect to *Grundrisse*. Now he explains the formal subsumption of the working process in the valorization process, and thus appears the ‘capitalist production process’, properly speaking:

Within capitalist production, the relationship between the working process and the valorization process is that the latter appears as the purpose, the former only as the means. (p. 97)

This formal subsumption of the labour process, the assumption of control over it by capital, consists in the worker’s subjection as worker to the supervision and therefore to the command of capital or the capitalist. (p. 93)

The subsumed, alienated, intra-totalized labour is now one determination of capital. The ‘unity’ of the working and valorization process consists in fact that now, when he is working, the labourer posits value in the product for capital: he creates surplus value, new value for capital. His material working process is a moment of the process of creating surplus value from the nothingness of capital. The ‘consumption process (*Consumptionsprozess*)’ (p. 103) of ‘living labour’ (alienated or intra-totalized exteriority that however keeps on being transcendental, ‘exterior’) is the creator of the metamorphosis of the purchased commodity (C1) into the sold one (C2). Value valorizes itself, capital is ‘productive capital’.

Marx ends with a reflection on the ‘production cost (*Produktionskosten*)’ (p. 162). This can be the necessary ‘cost’, in total labour time, to produce the product (constant, variable capital and surplus value); or only what has been spent or invested by the capitalist (the value of the product less the surplus value). The first is called, for now, ‘real production cost’; the second, production cost for capital. But there is still ‘production cost’ of the labour capacity, which has a completely different meaning.

1.4 The two component parts of capital (MECW. 30: 105–35)

In the *Grundrisse* Marx had discovered the question of the ‘component parts’ (*Bestandteile*) of capital, very slowly, with frequent comings and goings, in the

logic of discovery. Now we see only a few developments in the ‘logic of presentation’. Thus there will still be advances later in *Capital*, because the problem has not yet been definitely resolved.

More specifically, Marx approaches the question of the money (M1) which is promised in the purchase of the labour capacity (where C1 is the worker as subject: S2). At this point, he mentions little or nothing about the means of production and never speaks about ‘variable capital’ – he discusses its content but has not yet ‘named’ it:

The social⁹ mode of production in which the production process (*Productionprozess*)¹⁰ is subsumed under capital or which rests on the relation of capital and wage labour (*Lohnarbeit*),¹¹ and indeed in such a way that it is the determining, dominant mode of production (*Produktionsweise*),¹² we call *capitalist production* (*capitalistische Produktion*).

(p. 135)

For those who are habituated to the discourse and language of the later Marx, all these expressions seem obvious. But, in an accurate reading of these *Manuscripts*, there is however a conceptual, categorial and even denominational innovation.

In effect, what Marx is interested in in these pages is to clarify the function of this ‘portion of capital expended in wages’ (p. 117); namely, the relation of purchase M1–C1 (of Figure 1.1). Marx makes the problem somewhat more complex when he raises a second question: to what extent is each of these moments ‘productive’? First, as money expenditure, this money enters into circulation; in the second place, as this expenditure is of commodities which enter into the productive process (of value and surplus value) – formally: ‘they pass’ as value to the product – is this ‘productive’ or not? The ‘labour capacity’, the ‘working process’, will be transformed into capitalist ‘productive force’ in the ‘productive process’ (of a ‘mode of production’). The wages as such, although they allow for the labourer a certain consumption in order to reproduce his ‘labour capacity’, are not directly productive. ‘Productive’ should not be understood as the material technical process to manufacture a product, but the process of positing surplus value; the capitalist process or mode of production or valorization process.

All the names: ‘*productive force*’, ‘*productive process*’, ‘*mode of production*’ (not as the totality of capitalism or abstract capital) and ‘*wage labour*’, are names of categories and determinations of capital: *intra-totalized* categories, founded in capital. While categories such as ‘living labour’, by contrast, indicate the everlasting presence of the exteriority in capital. To confuse them, unify them, means to lose the sense given by Marx to exteriority, and such is the case of much of the later Marxist tradition. All categories are frequently totalized, even those required for the construction of the ‘really existing socialism’. ‘Living labour’ was still a critical moment of exteriority regarding the ‘productive forces’ (does this make any sense?) in socialist countries,

which still subsumed 'living labour' in an historical, concrete, real determination, which, while limiting it, alienated it in some way ... even if not a capitalist way.

The money (of the capitalist) buys labour as a commodity (first moment). Later, it uses it, it consumes it and only at this moment is there a 'relation of production (*Produktionsverhältniss*)' (p. 105), or productive of surplus value; only in this way does the 'labour capacity' become a 'productive force'.

Living labour [presence of the exteriority in the totality] thus becomes a means whereby objectified labour is preserved and increased. To the extent that the worker creates wealth, living labour becomes a power of capital; similarly, all development of the productive forces of labour is development of the productive forces of capital.

(p. 112)

As the productive force of capital and paid by means of wages, 'living labour' (always really transcendental) becomes 'wage labour', as a 'necessary social form of labour for capitalistic production' (p. 114). 'Wage labour' indicates that 'living labour' has been alienated as a totalized determination of capital, thanks to the expenditure of a portion of money to purchase labour ('labour capacity').

Wages (or the 'portion' of the money capital devoted to purchasing labour) is thus 'a necessary condition for the formation of capital and it remains the constant, necessary prerequisite (*Voraussetzung*) for capitalist production' (p. 116). 'Presupposition' of the valorization of capital, but also 'presupposition' for the 'reproduction' of the labourer's life. Capital, namely, 'not-labour (*Nicht-Arbeit*)' (p. 115)¹³ destroys all the labourer's possibilities of subsistence outside the use of his wages to buy (in the 'small circulation') the everyday means of subsistence. Wages as such, however, are not productive, because they are not directly involved in the production process.

Furthermore, Marx starts to consider the fact that the 'component of value in the total value (*Gesamtwert*) of the product' (p. 116) associated with the 'necessary labour time' (p. 128), is also associated with the wages that only pay 'the price of the labour capacity' (p. 133) – Marx emphasizes twice '[...] living labour capacity' (pp. 131, 133) in order to highlight the exteriority. There are still two other components of the value of product: one the costs of the means of production and a third, mysterious component beyond the original expenditures of money: a surplus value which is described in the next chapter.

We have seen the way in which money becomes capital. Money is only objectified past labour. As such, even if it buys and sells infinite times, it cannot 'create' new value. Capital could appropriate any already produced value by commercial exchange. Only when money denies itself and is exchanged with the commodity 'living labour', only when it manages to intra-totalize the living exteriority of the labourer, only when it pays for his or

her 'labour capacity' with the means of subsistence required to reproduce the life of the labourer, only then does money become, or make the 'passage' (*Übergang*) into capital as such. Mere 'labour capacity' is transformed into 'productive force', which is alienated actuality in the totality of capital of the exteriority of 'living labour'. Living labour, the absolute 'not-capital' becomes a founded 'being' (presupposing capital in capital's being: already given value, 'wage labour'). Now the Oracle of *The Manuscript of 1844* can be understood: the 'man of labour [now 'living labour'] daily transforms his whole Nothingness (*Nichts*) [living labour as 'not-capital': nothingness] into absolute Nothingness': into 'wage labour', not a dignified human being, but an instrumental thing (see Dussel 1985a, sec. 7.1.a.1).

What did Lukács, Kosík and Althusser think about this very radical subject? Is it not possible for Latin America, which has often represented the non-being, the non-human, the barbaric (even philosophically for many Europeans and Americans), to say something new? Is exteriority not a far more significant category than has previously been thought?

2 Absolute surplus value

Notebook III, pp. 95–124; after
August 1861 (MECW. 30: 172–232)

At the end of the production process capital has a surplus value, which means, expressed in accordance with the general concept of exchange value: the labour time objectified in the product (or the quantity of labour contained in it) is greater than the labour time contained in the original capital, the capital advanced during the production process. This is only possible (assuming that the commodity is sold at its value) because the labour time objectified in the price of labour (the wage of labour) is less than the living labour time by which it is replaced in the production process. What appears as surplus value on the side of capital, appears as *surplus labour* on the side of the worker.

(p. 172)

As in the *Grundrisse*,¹ Marx starts with an essential description of surplus value. For the first time, Marx intends a systematic exposition – the one in the *Grundrisse* was very disorderly. He deals for the third time with this subject between 1863 and 1865 (in the ‘Results of the Immediate Process of Production’ manuscript,² which is a much more elaborate exposition than the one here being commented upon). The fourth and last draft was the one included in Parts Three and Four of Book I of *Capital*.

It is important to note that Marx first studies surplus value ‘in general’, which is a novelty with respect to the *Grundrisse*: ‘surplus value as such (*überhaupt*)’ (p. 178), and of which absolute surplus value would be a manifestation, a more concrete form of existence. In any case, Marx did not explicitly develop this question in these *Manuscripts*.

2.1 Surplus value in general and social classes (MECW. 30: 172–9)

It is interesting to consider that in the plans prior to the discussion of this subject, Marx first dealt with surplus value as such, ‘in general’. Only later did he study the question of ‘absolute surplus labour time’. Now, in these manuscripts, Marx discussed in detail, a second time, the question of the surplus

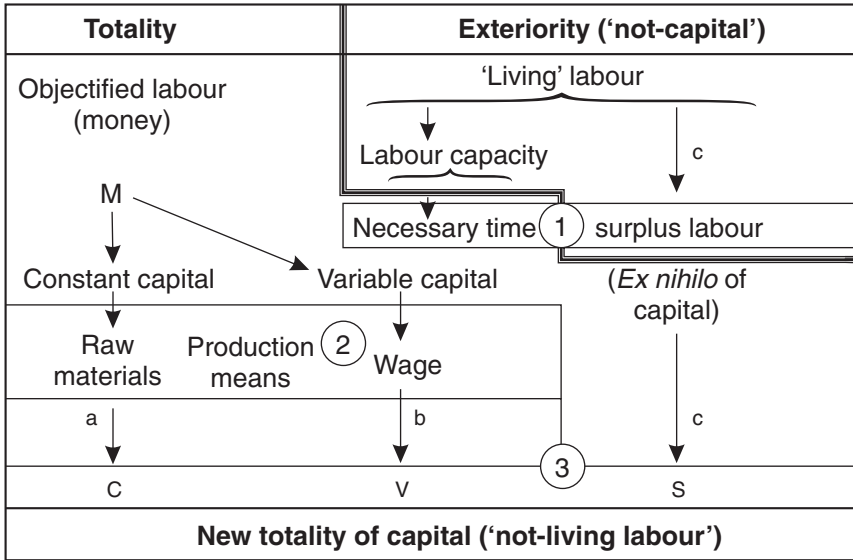
value ‘in general’, in order to subsequently deal with the absolute mode of surplus value.

Marx’s discourse follows this path in *Notebook III* of the *Manuscripts*. It starts with the text quoted at the beginning of this chapter. As can be seen, Marx fixes two terms in time: value which includes capital as money (M in Figure 2.1; M1 in Figure 1.1 of Chapter 1) and the value of the product at the end of the productive process (3 in Figure 2.1: C + V + S). There is more value in the product (p); the former appears ‘from the nothingness’ of capital, from the ‘exteriority’. As always, it is a matter of the dialectic between two types of labour: ‘objectified’ *past* labour and ‘living’ *present* labour. The ‘more value’ (surplus value) for capital (the totality of capital which assumes and subsumes a not-paid ‘component’ of ‘labour’) is ‘less’ labour for the labourer, the ‘living’ labour.

The ‘labour capacity’ has a certain value; subsumed by capital (totalized; arrow b in Figure 2.1), this component of ‘living’ labour becomes a valorization moment for capital. Namely, the living labour (which must never be confused with the ‘labour power’ or ‘productive force’ already subsumed in the totality of capital) (p. 173) is ‘split (*gespalten*)’ into two components measurable in time: labour which substitutes for or reproduces the value of labour capacity (measured in time: ‘necessary time’); and labour not paid by any wages (more labour, surplus labour, no investment of already objectified labour, capital): ‘not capital which newly created value (*neu geschaffener Werth*) [...]’ (p. 179). Of all foregoing, mainly two aspects should be emphasized: the ‘necessary labour time’ as *reproduction* of the ‘working class’, and for the first time an explicit formulation of ‘variable capital’ – which is called ‘working fund’ or other terms in the *Grundrisse*.

At first sight, it would seem that the question of the ‘classes’ is not present in Marx’s discourse, including *Capital* – which might have led Engels, wrongly, to add a page on this subject at the end of Book III. The truth is that the question of classes is always present at the essential or abstract level of capital ‘in general’, as the fundamental moment of the ‘social relation’ which constitutes capital as such. But Marx makes also frequent explicit references to this subject in these *Manuscripts*.

On many occasions Marx speaks, for example, of ‘all the capitalists of a country’ (p. 25), ‘the class of capitalists taken as a whole’ (p. 25), the ‘overall interests of the capitalist class’ (p. 185), ‘the whole capitalist class vis-à-vis the working class’ (p. 237). Sometimes Marx writes: ‘[...] if we take the total capital of society [...]’ (p. 237) as national global capital. In other words, the question is discussed implicitly in all Marx’s discourse, but at three levels of abstraction: (a) The ‘class’ in general, implicit in the ‘social relation’ of capital as such (‘universality’: *Allgemeinheit*). (b) The social ‘class’ in its particularity (*Besonderheit*), globally as the capitalist class or the working class. As such, the one appropriates the surplus value produced by the other: accumulated in a ‘mass’ of surplus value as a global, total class. (c) At the third level, we find the individual members of the class: the singularity (*Einzelheit*) (e.g. ‘the



Explanation: (1) working day; (2) component parts of the capital; (3) value of the product; a preserves value; b reproduces value; c creates new value from exteriority

=== = boundary of the totality

Figure 2.1 Categories and levels required to understand the question of surplus value 'in general'.

individual (*einzel*) capitalist A can [...]'; p. 185). Thus posed, the sense of the 'class struggle' can also be understood:

We know that in practice it depends on the relative power (*Machtverhältniss*) of the buyer and the seller [...] The history of modern industry teaches us, however, that the measureless demands of capital could never be held in check by the isolated (*vereinzelt*) efforts of the worker. The struggle had instead to take on the form of a class struggle (*Klassenkampf*), and thereby call forth the intervention of the state power (*Staatsgewalt*).
(p. 184)

The foregoing brings us back to the original subject, namely, the question of the 'labour time which is necessary to reproduce (*reproduzieren*) the value of the labour capacity itself' (p. 174). Surplus value is possible, mainly because the 'social relation' between labour capital (in general, as an abstraction), between the capitalist class and the working class (in particular), between 'this' capitalist and 'this' labourer (in their singularity) is 'reproduced', is always repeated: due to the essence of the relation, due to the violence of its origin, due to the intervention of the State. In these *Manuscripts*, many arguments for this thesis are found.

The second question we wish to emphasize is that of ‘variable’ capital. In fact, Marx first describes the ‘three component parts’ of capital: ‘raw material, instrument of production and, finally, the component of capital which is exchanged for labour capacity’ (p. 176). The ‘component’ invested in the two former (level 2 of Figure 2.1) remains ‘constant’. Marx has already frequently used the name ‘constant capital’ (p. 177) to designate this part. It is not ‘reproduced’, but reappears as the same magnitude; it is simply preserved. Raw materials and instruments manifest themselves in the same value of the product (level 3, component C). But this does not happen with the other component:

Therefore, if we call [Marx is aware that it is ‘his’ denomination] the labour time contained in constant capital c , that contained in variable v , and the time the worker has to work over and above the necessary labour time s , the labour time contained in P, or the value of product, = $c + (v + s)$.
(p. 7)

In these *Manuscripts* we have found, perhaps for the first time, the name (not the concept) of ‘variable capital’ (p. 295).³ In other words, this component of past labour objectified in money has been *reproduced* as V (variable capital), and has also increased with s (surplus value). And money, which has paid the price of the labour capacity in its reproduction, makes possible the creation of value *from the nothingness* of capital: the ‘living labour (in its real exteriority) *has created new value* (surplus value) for capital without having been paid for its surplus labour.’ This is the perversity (ethical evil for Marx) of the essence of capital.

2.2 Absolute surplus value (MECW. 30: 179–93)

Marx starts by sketching a quick plan for the subjects he will discuss:

- (1) Extent of surplus labour. Drive of capital to spin this out to infinity.
- (2) Surplus value depends not only on the number of hours the individual worker works over and above the necessary labour time, but also on the number of simultaneous working days, or the number of workers the capitalist employs.
- (3) The relation of capital as producer of surplus labour: working more than is needed. Civilizing character of capital, labour time and free time. Opposition. Surplus labour and surplus product. Hence in the last instance relation of population and capital.
- (4) Mr. Proudhon’s thesis [...]
- (5) This form of surplus value is the absolute form. Persists in all modes of production which are founded on the opposition between classes, one of which is the possessor of the conditions of production and the other labour.

(pp. 179–80)

'In general', surplus value is the effect of surplus labour determined by time; it is the relationship between the total working day (Marx uses the English term 'working day') and the time required to reproduce the labour capacity. But what is specific about 'absolute surplus labour', its particularity, is the effect of the 'drive (*Trieb*)' of capital when it increases labour surplus time 'unnaturally [...] beyond its natural bounds' (p. 181). In other words, on the one hand, there is an 'average necessary labour time' (p.185);⁴ and on the other hand, there is a 'normal surplus time'⁵, and in the third place, the 'total labour time' in a working day. If the labourer is forced to work a 'few extra hours' daily, the 'surplus value mass' will increase (p. 185). Then, the 'quantitative proportion' between both parts of the 'working day' will change, since the working day has increased. The increase of the mass of surplus labour, a higher 'productive power of capital' (p. 188), a higher effective *actualization* of the 'labour capacity' subsumed in the productive process, leads to an increasing 'valorization of value'.

Surplus value not only increases due to the extraordinary labour of a single worker, but also due to the larger number of 'simultaneous working days'. And once again the working class as totality, as population, performs a fundamental role. Although the rate of necessary labour and surplus labour does not increase, the mass of surplus value increases due to the increase in the working class.

2.3 The nature of surplus value and the 'rate of exploitation' (MECW. 30: 190–232)

Marx analyses here the essential nature of capital from the labourer's point of view:

The relation which compels the worker to do surplus labour is the fact that the conditions of his labour exist over against him as capital. He is not subjected to any external compulsion, but in order to live in a world where commodities are determined by their value he is compelled to sell his labour capacity as a commodity, whereas the valorization of this labour capacity over and above its own value is the prerogative of capital. Thus his surplus labour both increases the variety of production and creates *free time* for others.

(pp. 204–5)

In Figure 1.1 of Chapter 1 we have represented with the arrows r the successive appearance of the subjects S2, S3, S4, etc. Viewed from this perspective, S2 appears as seller (s : sells); he sells his labour capacity as a commodity (C1) and receives a salary (M1) which is consumed (x). The labourer consumes (x) his wages because he appears again in the market as S3 buying (with his wages now M2; b : buyer) commodities (C2). But this situation (the seller of his labour capacity now buys commodities for his consumption: C–M–C) is

‘reproduced’, namely, it becomes institutional, because capital has not only subsumed world production, but also the situation of circulation and consumption. In other words, the labourer is totally imprisoned with no escape. That is to say:

Hence the result of the capitalist process of production is not just commodities and surplus value; it is the *reproduction of this relation* itself (its reproduction (*Reproduction*) on an ever growing scale, as will be seen later).
(p. 115)

The labourer is institutionally coerced to reproduce his sale, to ‘posit’ again surplus value, to always and every day appear as a buyer. The State, for its part, fulfils a fundamental function in the practical institutionalization of this *reproduction*. But, furthermore, and Marx mentions at this point the special concept of ‘superstructure (*Überbau*)’, the labourer creates with his surplus labour surplus value which allows ‘free time’ for other classes:

Once there exists a society in which some people live without working [...] it is clear that the surplus labour of the workers is the condition of existence of the whole superstructure of the society [...] The free time they have at their disposal, whether for idleness or for the performance of activities which are not directly productive (as e.g. war, affairs of state) or for the development of human abilities and social potentialities (art, etc., science) which have no directly practical purpose, has as its prerequisite the surplus labour of the mass of workers [...] The *free time* of the non-working parts of society is based on the *surplus labour* or *overwork*, the *surplus labour time*, of the working part.

(pp. 190–1)

As we shall see starting from Notebook VI, Marx is thinking here of the question of productive and non-productive labour (in the so-called ‘theories of surplus value’). All classes (at this point Marx does not speak of sectors or fractions) who do not work directly, ‘base’ the possibility of their ‘superstructural’ development (not only in an ideological sense, but as the totality of life) on the material production of a surplus product:

Society thus develops in contradictory fashion through the absence of development (*Entwicklungslosigkeit*) of the mass of workers, who form its material basis [...] the surplus labour time [...] is simultaneously materialised in extra product, surplus product, and this surplus product is the material basis (*materielle Basis*) for the existence of all the classes apart from the working classes, of the whole superstructure (*Überbau*)⁶ of society [...] Absolute surplus value, i.e. absolute surplus labour, later too always remains the dominant form.

(pp. 191–2)

In these texts we shall see again – and there is nothing on this subject in the *Grundrisse* and very little in the rest of these *Manuscripts* – the question already discussed in *The German Ideology*. But now the matter has gained more concreteness. Not only does production materially determine the ideological world (never absolutely, because the former is also determined), but it also produces it materially since it creates surplus value as the ‘material condition of existence’ of all the ‘superstructural’ life of the society. But in this case, the ‘superstructure’ is even the material life of the non-directly productive classes. As can be seen, Marx’s ‘materialism’ is not a contemplative one, is not a theory of knowledge (as Konstantinov’s, for example), but a productive materialism, a productive materialism socially determined. The working class, dominated as a subsumed moment of capital, is the one that produces the ‘surplus product’ which allows for the whole life of the dominant classes, also by means of the State’s coercion (as a political–practical moment):

This surplus labour is on the one hand the basis of society’s free time, and on the other hand, by virtue of this, the material basis of its whole development and of civilization in general. In so far as it is capital’s compulsion which enforces on the great mass of society this labour over and above its immediate needs, capital creates civilization; performs a socio-historical function [...] This is true wherever society rests on class antagonism (*Klassenantagonismus*), so that there are on one side owners of the conditions of production, who rule, and on the other side propertyless people, excluded from ownership of the conditions of production, who must work and maintain themselves and their rulers with their labour.

(pp. 196–7)

Furthermore, Marx also shows in these pages that in the case where an infinite increase of exchange value is pursued, the ‘intensity (*Intensivität*)’ (p. 197) reaches unexpected limits. Necessities increase in the same way, because it is a ‘law of the development of the human nature’, but these necessities can only be satisfied by the dominant classes and such a possibility is denied the workers:

But just as surplus labour time is a condition for free time, this extension of the sphere of needs and the means for their satisfaction is conditioned by the worker’s being chained to the necessary requirements of his life.

(p. 199)

After a long discussion regarding the concrete conditions of the working class (pp. 199–219), along the lines of what will become in *Capital* Chapter 10 of Book I – where Marx is overwhelmed by his fundamental ethical *pathos* – he ends, as in Chapter 9 of the same Book, with an analysis of the ‘rate of surplus value’. But in this exposition Marx shows, as we already mentioned,

the ethical sense of the question. The rate of profit – the ratio between profit and the totality of the capital investment – hides the exploitation, the degree of domination exercised on the labourer. The ‘rate of exploitation’ (p. 229) is measured in the simple proportion of the value paid in the wages and the surplus value not paid (which is much higher than the mere ‘rate of profit’). To show the difference between these rates (of ‘exploitation’ and of ‘profit’) is a question that has not only economic meaning, but also a political, ethical meaning, since it is directed to provide the exploited class with a ‘class consciousness’⁷ (which constitutes the purpose of all Marx’s theoretical production). That is to say:

The same error would occur if the product were calculated, and indeed not the ratio of the *surplus product* to the part of the *product which* is equivalent to the wage, but to the *surplus product as aliquot part of the aggregate product*. This point is not only very important for the determination of surplus value but it is later of decisive importance for the correct determination of the rate of profit.

(p. 229)

In fact, Marx was not only interested in economics, but mainly in the critique of economics; he was not interested only in theory, but essentially in praxis: the alienating domain suffered by the labourer, the living labour, by capital, the capitalist, the exploiting class. The ‘rate of exploitation’ is the degree of injustice, of perversity.

3 Relative surplus value

Notebooks III, IV and V, pp. 125–211;
up to March 1862 (MECW. 30: 233–346)

Here the value of labour capacity falls, and therefore the necessary labour time too, not because the price of labour capacity has fallen below its value but because its value has itself fallen, i.e. because less labour time is objectified in the labour capacity, and therefore less labour time is required for its reproduction. In this case surplus labour time grows because necessary labour time has diminished. A part of the overall working day which was previously reserved for necessary labour is now set free, is annexed to the surplus labour time. A part of the necessary labour time is converted into surplus labour time; hence a portion of the product, which previously entered the wage, now enters the surplus value (the capitalist's gain).

(pp. 235–6)

To a greater extent than in the exposition regarding absolute surplus value, in this case, Marx performs for the first time a systematic writing, with many novelties. In plans of February or March 1859 he had included a third part regarding 'Relative Surplus Value'.¹ He had divided the subject into a general introduction (with references to the *Grundrisse*) and then into three sections: 1. Cooperation; 2. Division of Labour; 3. Machinery. This is the scheme he used to approach the subject in Notebooks III to V.

3.1 The 'essence' of relative surplus value (MECW. 30: 233–55)

Marx discusses the '*essence* (*Wesen*) of relative surplus value' (p. 238); that is to say, in the first place, it is necessary to describe the *essence* of relative surplus value *in general*, and then to subsequently approach, from the abstract to the concrete, the particular ways in which relative surplus value becomes concrete.

Marx starts by pointing out the specific difference:

We call the form of surplus value considered so far *absolute surplus value* because [...] its every increase is at the same time an absolute increase of

created value (of produced value) [...] The extension of the *normal working day*, i.e. total of necessary labour time + surplus labour time, is here the process by which surplus value grows, is increased.

(p. 233)

Once the working day has reached a physically unsurpassable maximum, fulfilling however the ‘tendency of capital’ to posit more surplus value, relative surplus value is left only with the ‘shortening (*Verkürzung*) of the necessary labour time’ (p. 234). It must be understood that the *purpose* of this essential tendency of capital is not to increase the productivity of the productive force, nor even to decrease necessary labour time *per se*, but to *increase surplus value*. The other two are necessary conditions for surplus value to increase.

It could be argued that by paying lower wages the same end could be reached, but methodologically and essentially, Marx recalls that the ‘assumption’ of all the discourse (in abstract, in general) is that commodities are sold at their value (see p. 234). Thus, the ‘phenomenon’ (superficial manifestation, not essential) regarding the fact that wages can be priced under or over their value has been left aside for a later specific treatise on wages. If the working day cannot grow, and if wages cannot decrease, there is only one way for surplus value to increase:

through *an increase in the productivity of labour*, or through a higher *development of the productive potency (Produktivkräfte)² of labour*.

(p. 235)

Now then, the text quoted at the beginning of this chapter should be read carefully. At the essential, abstract level, or considering society and classes as global totality, Marx points out that an increase in labour’s productivity increases the mass of products, but this higher mass has the same value. In other words, ‘the individual commodity therefore falls in value’ (p. 241). This is of a great importance for the ‘question of dependency’ in Latin America, because capital of peripheral underdeveloped countries has a lower productivity, their products have a greater value or a greater proportion of necessary labour time per unit of product, although a lower global production of surplus value. Once again, Marx now explains the differences in order to clarify the categories:

Relative surplus value is therefore distinguished from absolute as follows. In both, surplus value = surplus labour, or, the ratio of surplus value is equal to the ratio of surplus labour time to necessary labour time. In the first case [absolute surplus value] the working day is extended beyond its limits and the surplus value grows (or the surplus labour time grows) in proportion as the working day is *extended* beyond its limit. In the second case [relative surplus value] the working day is given. Here, the surplus value, or the surplus labour time, is increased owing to the *reduction* of

the portion of the working day that was required, or was necessary, for the reproduction of the wage. In the first case a given level of the productivity of labour is presupposed. In the second case the productivity of labour is raised. In the first case the value of an aliquot part of the total product or a part of the product of the working day remains unchanged; in the second the value of the part of the product changes, but its quantity (number of articles) grows in the same proportion as its value diminishes. The value of the total amount thus remains unchanged, whilst the total amount of products or use values has increased.

(p. 242)

This long quotation should be supplemented with another of equal density in order to understand Marx's form of constructing categories, which he practised methodically (to know by differentiation).

Surplus value exactly equals *surplus labour*; an increase in surplus labour is exactly measured by a reduction in necessary labour. With *absolute surplus value* the reduction in necessary labour is *relative*, i.e. necessary labour falls relatively because overtime is increased *directly* [...] Here, therefore, necessary labour time is reduced *relatively*, because total labour time, and therefore surplus labour time, has grown *absolutely*. In contrast to this, if the normal working day is given, and the increase in *relative* surplus value occurs through an increase in productive forces, the *necessary labour time is lessened* absolutely and the surplus value is thereby increased both absolutely and relatively without any increase in the *value* of product. In the case of absolute surplus value, therefore, there is a *relative fall in the value* of wages as compared with the absolute growth in surplus value; whereas in the case of relative surplus value there is an *absolute fall in the value* of wages.

(p. 251)³

Let us see what this is all about. Marx always has in mind two moments ('necessary time' and 'surplus labour', level 1 of Figure 2.1) of a whole ('working day'). If surplus labour increases absolutely, then the working day also increases in the same manner; and this is the case of absolute surplus value. If the working day does not increase, but remains constant, and necessary time decreases due to greater productivity, the surplus value increases, and this is the case of relative surplus value. Thus, in the case of absolute surplus value, the reduction of the necessary time is relative (or proportional) to the increase of surplus time, and the increase of surplus value is absolute *per se*. While in the case of relative surplus value, the reduction of the necessary time is absolute, and the increase of surplus value is relative (to the reduction of necessary time) and absolute (*per se*).

Marx then studies multiple types of logical (and real) possibilities, many of which turn out to be superfluous, but some remain essential. One such case

is the paradox which shows that an increase in productivity amounts to a decrease in the value of product – which is the foundation of crises and the essential fall of capitalism as a process of de-valorization.⁴ Just as in the case of absolute surplus value there is a limit to the duration of working day, in the case of relative surplus value there is also a limit fixed by the various proportions between the increases in productivity, surplus value and the total capital invested:

The ratio of the surplus value to the total value of the capital expended, does not increase in the same proportion as the necessary labour fall through the increase in productive power: there are two reasons why this does not happen. Firstly because with the more developed productive power of labour, surplus value does not grow in the same proportion as necessary labour diminishes. Secondly because this surplus value, which has grown in a smaller proportion, is calculated on capital which has increased its value approximately in proportion to the heightening of productive power.

(pp. 248–9)

This is precisely the issue of decline in the rate of profit, or the relation between surplus value and the total advanced capital. If the capital invested in wages (variable capital) is compared with surplus labour, the result is the rate of exploitation (or surplus value) which does not include constant capital. Because the increase of productivity demands more constant capital, the relation of surplus value to the total capital invested (in wages and means of production, the latter in an ever greater proportion due to the development of productive power) must be taken into consideration. Hence, it becomes more difficult to increase, not absolute surplus value, but the relation between surplus value and the total capital invested. This ratio decreases in the same proportion as the development of constant capital increases.

On the other hand, since the value of commodities decreases due to an increase of productivity, the value of labour capacity (namely, wages) also decreases and relative surplus value increases in proportion to the easier reproduction of wage labour. More fertile soil is not the only cause of a fall in the price of subsistence or consumption goods, as Ricardo assumed, but also a greater productive power of labour subsumed by capital – and for capital: for its valorization by means of relative surplus value.

3.2 The general form of subsumption: cooperation (MECW. 30: 255–63)

There are three ‘forms’ or phenomena of relative surplus value, or real and concrete modes of increasing the ‘productive power of labour’ subsumed by capital. The ‘general form’ (*allgemeine Form*’, p. 255), or the ‘fundamental form’ (*Grundform*)’ of all ‘increase of productivity of social labour’, is

cooperation, which is present also in the two remaining ‘forms’. As the fundamental form, it is the basis (the presupposition of the remaining forms). It has six essential determinations:

Cooperation is therefore first of all the direct *collective labour* – unmediated by *exchange* – of many workers in order to produce the same result, the same product and the same use value (or utility).

(p. 255)

Any subsequent form of increasing productivity presupposes and includes cooperation, since it provides the ‘social’ form to the act of labour itself. From hunting to war, humanity had already used various types of labour in cooperation. In capitalism, however, the sociability of labour reaches its most developed stage. Each worker *isolated* in his everyday life becomes ‘social’ – in its negative conception – namely, ‘the productive power of the individual is increased by the social (*gesellschaftlich*) form of labour’ (p. 258). But such ‘sociability’ is constituted from capital and remains under its control:

Cooperation, which is a productive power of social labour, appears as a productive power of capital, not of labour [...] Once the worker enters into the actual labour process he is already incorporated *qua* labour capacity into capital, he no longer belongs to himself but to capital, and therefore the conditions under which he works are rather the conditions under which capital works. However, before he steps into the labour process he enters into contact with the capitalist as the individual owner or seller of a commodity, this commodity is his own labour capacity. He sells it as an isolated commodity.⁵ It becomes social once it has entered into the labour process. The metamorphosis his labour capacity undergoes thereby is something external to it, in which it does not participate; it is rather something which is done to it. The capitalist buys not one but many individual labour capacities at the same time, but he buys them all as isolated commodities, belonging to isolated (*unabhängig*), mutually independent commodity owners. Once they enter into the labour process, they are already incorporated into capital, and their own cooperation is therefore not a relation into which they put themselves, it is the capitalist who puts them into it [...] Their *interconnection and their unity* lies not in themselves but in capital, or, the social productive power of their labour arising therefrom is a productive power of capital. Just as the power of individual labour capacity not only to replace but to increase itself – surplus labour – appears as a capacity of capital, so does the social character of labour and the productive power which arises from that character. This is the first stage at which the subsumption of labour under capital no longer appears as a merely formal subsumption but

changes the mode of production itself, so that the *capitalist* mode of production is a specific mode of production (*Productionsweise*).

(pp. 260–2)

Hence it can be noted that for Marx, at the moment when capital organizes labour in cooperation under its control, subsumption is no longer merely formal, but more profound, and the mode of the productive process – materially speaking, but related to the production of surplus value – changes, technically, and is incorporated into the formal process of production of (economic) value. Only now, and not as in the case of an increase in the hours of labour by the mode of absolute surplus value, the mode of production is properly and specifically capitalist. That is to say:

The subsumption is formal, in so far as the individual worker, instead of working as an independent commodity owner, now works as a labour capacity belonging to the capitalist [...] This distinction is formal in so far as it can exist without causing the slightest alteration of any kind in the mode of production (*Productionsweise*) or the social relations within which production takes place.

(p. 262)

Marx is here thinking of a material, technical change in the labour process itself. Before cooperation, in a certain way, the labourer does not change the mode or the manner of the technical labour process. Now, on the contrary, cooperation materially changes the intrinsic labour process, organizing it, controlling it, modifying it in the same ‘process’. Only now capital subsumes the labourer more than formally: it modifies his productive habits, it takes his consciousness away from him, it takes the control over the material process away from him.

This first transposition of the social character of labour as social character of capital, of the productive power of social labour as productive power of capital; and finally the first transformation of the formal subsumption under capital into a real alteration of the mode of production itself.

(p. 263)

Once again we must consider the concept of ‘mode of production’. By no means is it the totality (not even abstract) of capital or of the capitalist system (as Althusser thinks). On the contrary, it is the manner, mode, determined disposition (synchronic and diachronic) of the labour process, materially or technically speaking, as the formal production process of the valorization of value itself. Capital even (and fundamentally) changes the technical, material process of labour which manufactures products (commodities) and which is concretely subsumed in the valorization process. All the foregoing is

the specifically capitalist 'mode of production': the inventing, civilizing technical power of capital.

3.3 The second mode of subsumption: the social division of 'social' labour (MECW. 30: 264–318)

According to Marx, the 'division of labour' – in the sense to be determined hereinafter – is 'the category of categories of political economy' (p. 267). Let us now see the reasons for this importance. In the first place, against Smith, Marx determines a twofold sense of the 'division of labour':

The one is division of social labour into different branches of labour, the other is division of labour in the manufacture of a commodity, hence not division of labour in society but social division of labour within one and the same workshop. Division of labour in the latter sense presupposes *manufacture*, as a specific *mode of production*.

(pp. 267–8)

According to Marx, there is then a difference between these two types of division of labour. On the one hand, there is a 'division of social labour' (p. 265) which produces different products or commodities (some produce tables, others chairs, others tomatoes, etc., as presuppositions of exchange and even of barter) in the process of 'social production'. On the other hand, this type of division (*different commodities*) is different from the 'social division of labour' which, assuming the foregoing division of labour, separates 'various operations' (some produce the legs, others the wood surface and others assemble the parts 'of the table') of the same object produced as commodity by capital:

The first division of labour shows itself in the fact that the production of a specific branch of labour confronts as a specific commodity the producers of all other branches of labour as independent commodities differing from it. The second division of labour, in contrast, takes place when a specific use value is produced before it comes onto the market, enters into circulation, as a specific, independent commodity. In the first case the different kinds of labour complement each other through the exchange of commodities. In the second there is direct, cooperative action by the different kinds of labour, not mediated through the exchange of commodities, with the aim of manufacturing the same use value under the command of capital. In the first division of labour the producers meet as independent commodity owners and representatives of specific branches of labour. In the second they appear rather as dependent, since they only produce a complete commodity, indeed only produce a commodity at all, through their cooperation, and each of them represents not a specific piece of work, but rather the individual

operations which are combined, which meet, in a specific piece of work, while the commodity owner, the producer of the complete commodity, confronts the independent workers as capitalist.

(p. 266)

That is to say, the division of labour to produce different products or commodities for exchange originates early in history. Producers can either be part of a 'community' or of a modern bourgeois 'society' (see Dussel 1985a, Ch. 12). In capitalism, the labourer is always 'isolated' – without a community – in everyday life (before and after work), but the second type of division of labour 'severs' into particular jobs the 'parts' of the product commodity. Each different task demands less skill, less particularity, and, in the end, it does not demand any: it is purely abstract labour. From the neolithic period on, products were taken to the marketplace by the producer of commodities as a totality (some tables, others shoes, etc.). Now, by contrast, labour ends in a 'part' of a product within manufacture, before reaching the marketplace. No labourer produces the whole product, its totality, but only an abstract portion, analytically severed. In this second case, the division is 'social' in so far as capital decides and controls such 'separation' as a whole – not each labourer; and it is a division of 'social' labour because particular labourers come from an isolated labour capacity (before labour in everyday life) and receive their 'sociability' in an abstract and external unity, under the control of capital, of the workshop, during the same production process:

It is clear, (1) that this division of labour presupposes the social division of labour. First the exchange of commodities develops the differentiation of social labour, and then the branches of labour become so widely separated that each specific branch is traced back to a specialized kind of labour, and the division of labour, its analysis, can take place within this specialized labour. It is equally clear, (2) that the second division of labour must, in its turn, extend the first – reacting back upon it [...] this is specific to it, in so far as it is able in its analysis to split up a speciality in such a way that the different *components of the same use value* are now produced as different commodities, independent of each other ...'

(p. 267)

All the foregoing technical advance of analytically dividing the parts of the object assigned to specific works, is formally directed by capital to make a 'more productive application of variable capital; the extent to which these means *directly* raise the productivity of the labour employed in a particular sphere of production' (p. 270).

Marx points out, on the other hand, that when each worker produced the product isolated in his house and the capitalist purchased it and sold it, he was acting only as a merchant; namely, 'the mode of production itself in fact was not capitalist' (p. 270). Adam Smith did not understand at all the

transmutation of the mode of production itself by the *social* division as presupposition of *social* labour (capitalist, properly speaking) in the same workshop. Thus, Marx, due to a detailed analysis of the technological process itself (see Dussel 1984b), understood the *material* determination which capital exerts on the labour process as such: it transforms it as technical labour because it needs to increase the productivity of labour in order to relatively diminish the value of wages.

In the workshop, labourers now have a ‘social relation of production (*gesellschaftliches Produktionsverhältniss*)’ (p. 278) among them and with the capitalist, within the organic interior of capital:

For the worker himself no combination of activities takes place. The combination is rather a combination of the one-sided functions under which every worker or number of workers is subsumed, group by group. His function is one-sided, abstract, partial. The totality which is formed from this is based precisely on his *merely partial existence* and isolation (*Isolierung*) in his separate function [...] *The workers form the building blocks of this combination.* However, the combination is not a relation that belongs to them, nor is it subsumed under them as a united group [...] The subsumption of the worker under capital is no longer merely *formal*.
(pp. 278–9)

The ‘division of labour’ is thus the category of categories, the structure in which labour (in the productive act itself) is determined as social and capital:

The increase of productive power which arises from the division of labour, this social mode of existence (*Daseinweise*) of labour [...] The social form of the worker’s combined labours is the existence of capital over against the worker [...] He has himself become a mere detail.
(p. 280)

From here on, Marx briefly considers the Western tradition’s thought, specifically among the Greeks, and in more detail in Plato, examples of the concept of division of labour. Of course, in many of these cases, the division is performed from the ‘common essence (*Gemeinwesen*)’ (e.g. p. 285), which is not the case in capitalism. Thanks to Andrew Ure (1778–1857), especially the work used so much by Marx in the French translation *Philosophie des manufactures* (Brussels 1836), or to Charles Babbage (1792–1871) in his *On the Economy of Machinery* (London 1832), and finally thanks to Fryderyk Skarbek (1792–1866) in his *Théorie des richesses sociales* (Paris 1839), Marx arrived at the triple division of labour:

The first, which we shall call general [Marx quotes Skarbek, which reminds us of paragraph 4 of Chapter 12 Volume I of *Capital*] brings about the division of the producers into agriculturalists, manufacturers, and

traders [...]; the second, which one could call *particular*, is the division of each branch of labour into species [...] *The third division of labour* which one should designate as a *division of tasks* [end of Skarbek's quote].

(p. 317)

Furthermore, Marx observes that the division of labour presupposes a great '*conglomeration of workers*, for which a certain density of population is necessary [...] *Concentration of the instruments of labour*. *The division of labour leads to a differentiation and accordingly a simplification of the instruments which serve as means of labour* [...] The other conditions of labour, particularly accommodation, factory buildings, can be regarded as a new addition to constant capital' (p. 295). All the foregoing implies a great increase of constant capital and a much more developed degree of the mode of production now formally capitalist; in other words, a 'mode of production corresponding to a particular historical stage of development of capital' (p. 300).

In this sense, it can be understood why Marx deals here, in a few pages, with the question of 'productive labour' (p. 306); because labour is subsumed more than formally in the division of labour, and capital thus really incorporates it in productive processes. Labour is 'productive' when, subsumed by the division of labour, it 'posits' surplus value, relatively decreasing the value of labour capacity. Productive labour is the 'productive power' of capital, where the 'process of alienation (*Entäußerung*), estrangement (*Entfremdung*) of labour' (p. 311) shows 'not only how capital produces [as he had expressed it in the *Grundrisse*], but how capital is itself produced, its own genesis' (p. 311) (see Figure 3.1).

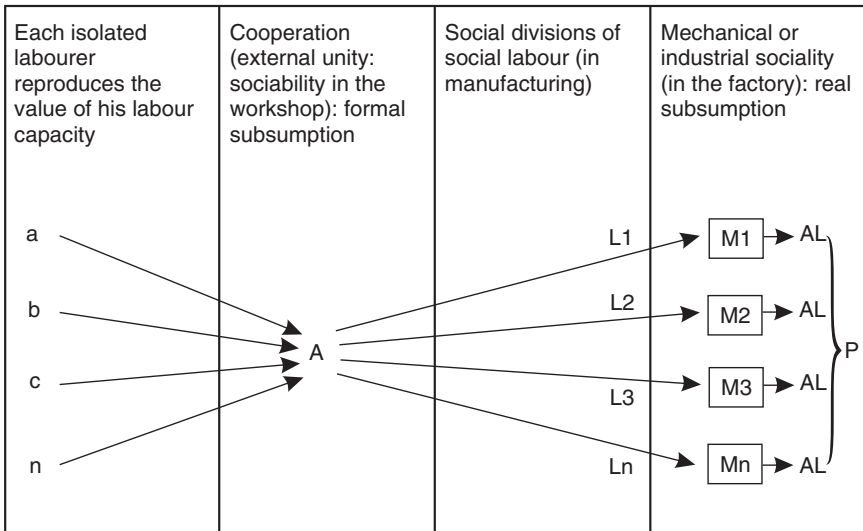
Marx develops further the civilizing feature of division of labour, as it overcomes the existing limits:

Capitalist production, hence the division of labour within the workshop according to certain rules, directly increases the free division of labour within society [...] Therefore by constantly setting free a part of the labour force for new kinds of employment and thereby simultaneously developing needs which were so far latent or not present at all, and modes of labour to satisfy those needs.

(p. 314)

3.4 The third mode of subsumption: machinery in the factory (MECW. 30: 318–45)

This Notebook V is in fact a transition toward Notebook XIX. Marx interrupted the writing of Notebook V in March 1862, in an undetermined manuscript page (although perhaps on p. 211, since there is a reference here to 26 November 1862, which indicates that it was written in January 1863, the moment in which he resumed writing this notebook). Months later he



Explanation: a, b, c, n: isolated lives of labourers; A: a manufacture (or factory); L1 ... Ln: specifically different labours (in manufacture); M1, Mn: different machines; AL: abstract labours actually subsumed; P: the product.

Figure 3.1 Character of labour and its degrees of subsumption.

continued with the subject of relative surplus value in which he refers to machinery, a subject that was followed by the comparison between absolute and relative surplus value, which must have been item 4 of the plan, and concluded (all starting from Notebook XIX, the problem of accumulation, which received number 4). That is to say, the subject matters of the future Book 1 of *Capital* received in this notebook the treatment outlined in Figure 3.2.

It would seem that from the beginning, this Notebook V would have more theoretical density, as if certain discoveries of Notebooks VI–XIV would be already considered. The category ‘production costs (*Produktionskosten*)’ is used (p. 321); the discourse enters further into the moment of circulation (sell, buy, social value, individual value, commodity price, fixed capital, etc.), which leads us to think that after considering the ‘division of labour’ Marx began to penetrate, by critical confrontation, as we shall see, his theory of surplus value. Hence, on 28 January 1863, the month in which he had finished writing Notebook V and begun Notebook XIX, he wrote to Engels:

I am inserting certain things in to the section on machinery. There are some curious questions which I originally failed to deal with [in March 1862 or while writing the *Grundrisse*]. To elucidate these, I have read through all my notebooks excerpts on technology [the *Grundrisse*, the *Technological-historical Notebook* of 1851, and other Notebooks], and am

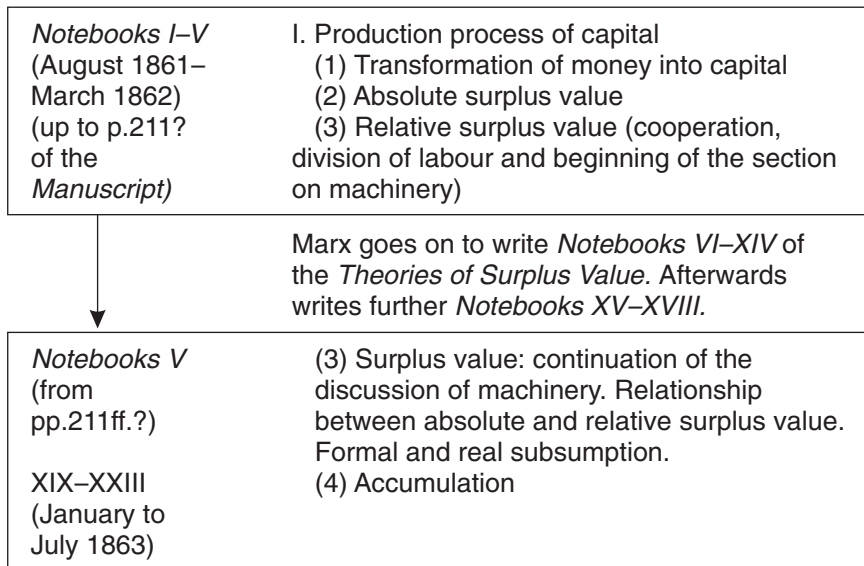


Figure 3.2 The place of the subjects of Volume 1 of *Capital* in the Notebooks.

also attending a practical (purely experimental) course for working men, given by Professor Willis [...]

(MECW. 41: 449)

These ‘curious problems’ are, specifically, the discussion regarding the difference between instrument and machine, and were not approached until Notebook XIX, and hence are out of our current consideration. On the contrary, we will examine now the subject that is treated in the first part of Notebook V, which is a bit disconnected – and written, apparently, at different times. There we find various discursive lines, with a proposition of ‘*new*’ categories, overlapping each other, going through various levels (production, circulation, realization), in a disorderly fashion. Let us examine with ‘epistemological attention’, as an example, the first pages. Marx is interested in the following:

Here, therefore, the surplus value appears to originate for him from selling – from his taking advantage of the other owners of commodities, from the fact that the commodity’s price has risen above its value; not from the reduction in necessary labour time and the lengthening of surplus labour time. Yet, this too is merely the way things appear.

(p. 319)

As one can see, Marx is situating himself at the level of realization (level 3); hence he speaks of ‘price’, but at the same time of production (level 1), e.g.

of ‘necessary time’. He jumps from one level to the other without mediation. At the same time, there seems to be a confusion when he deals in advance with the realization of capital, which does not correspond to the exposition of the future Book I. All this complicates his discourse. Sometimes we are at the level of constant capital, sometimes at the level of fixed capital, sometimes at the level of the realization of commodities. The order of his investigation at that moment is not the order of his subsequent exposition.

In order to criticize the erroneous notion that surplus value is the fruit of circulation and not of production, Marx begins a categorial discourse in which there are novelties, almost too much for a notebook that is situated right after Notebook IV. In fact, machinery reduces the ‘value of the commodity’;⁶ that is, it reduces its price (‘price of the commodity’), at the circulation level, and this is because it decreases the ‘necessary labour time’ (in its *subjective* sense and at the level of *objective* production), without reducing the ‘working day’, and thereby increases ‘surplus labour’. We indicate the names of Marx’s categories with quotation marks.

Because of machinery, ‘qualified labour’ is abandoned and replaced by ‘simple (*einfach*) labour’, of children or women; namely, the ‘socially necessary labour time’ is reduced,⁷ that is, the objective time necessary to produce the value of commodities. On the one hand, it diminishes the ‘average time’ or ‘average labour’ in order to reduce the ‘socially necessary value’ of products. On the other hand, due to the reduction of average labour time, it results in an ‘excess of price (*Überschuss des Preisses*)’ of commodities, because its former value decreases; namely, it surpasses its ‘normal (*normal*) surplus value’. When the mass of wages decreases to the ‘average wage’, the result is that ‘production costs (*Produktionskosten*)’ of labour capacity also decrease.⁸ To sum up, and to put it in Marx’s own words, the use of machinery has a principle that justifies its use:

Its fundamental principle is the replacement of skilled labour by *simple* labour; hence also the reduction of the amount of wages to the average wage, or the reduction of the worker’s necessary labour to the average minimum and the reduction of the production cost of labour capacity to the production cost of simple labour capacity.

(p. 321)

Different from the free mediations of the increase of productive power of cooperation or the division of labour, machinery is constant capital, it has a cost; it is a ‘power (*Kraft*)’ or ‘produced (*produzierte*)’ productive force (p. 322) (see Dussel 1985a, sects. 7.3–8.4). As constant capital, machinery ‘adds to the product the value already included in it’ (p. 322). Although it does not produce new value, machinery transfers to the product its own consumed value. Imperceptibly, Marx starts to pass to the concept of *fixed capital* – thus jumping from the concept of constant capital in production to fixed capital in circulation:

It follows that the cheapening of the commodities produced by machines depends on one circumstance alone: the labour time contained in the machinery itself is less than the labour time contained in the labour capacity replaced by it; the value of machinery which enters into the commodity is less than, i.e. = less labour time than, the value of the labour replaced by it.

(p. 323)

Machinery has a cost, namely, it is a product of a labour process and productive process of surplus value; it is a capitalist commodity, but it does not produce surplus value, but only preserves its value, because in the productive process its consumed value is not lost, but reappears:

The use value of the machine, and its replacement of human labour is its use value, does not determine its value; this is determined by the labour required to produce of machine itself [...] The total value of the machinery only re-appears (*wiedererscheint*) in the totality of the commodities in whose production it has assisted as a means of labour.

(pp. 329, 324)

In other words, machinery is the product of human labour, and thus it contains value. In each item of the product, a portion of its value 'passes' to the product during the labour process; and by means of a 'notional average calculation' (p. 325) one can determine which aliquot part of machinery *enters* into the value of product:

The magnitude of the value that is represented by the machinery that enters into the labour process [...] makes the commodity relatively more expensive, but only insignificantly, to a much smaller extent than the manual labour replaced by the machinery would have done.

(p. 326)

This means that no matter how big the capital advanced for the purchase of machinery may seem with respect that one used to pay 'living labour', the value of machinery that passes to the individual commodity shall always be proportionally lower than the value saved in wages. In other words, machinery 'devalorizes (*entwerthet*) itself' when transferring its value to commodity, but capital does not de-value itself; because, on the other hand, it de-value wages even more (p. 236). In fact, machinery has transformed labour into a 'less productive' labour (p. 328) of its labour capacity or of the amount of product which corresponds to it, 'because the quantity falling to his share is reduced' (p. 328); and this is the first consequence of introducing machinery.

In fact, Marx enumerates immediately eight corollaries which result from the industrial or machinery revolution of capital. The *first* fruit is, paradoxically, that even though machinery proportionally reduces necessary time

(for the reproduction of labour capacity), nevertheless the absolute time of the working day remains the same (see pp. 329ff.). There is, then, an over-exploitation, not due to an increase of intensity of the labour's rhythm, but as a result of adding a greater productivity of labour to capital with such a rate of exploitation – an addition to the relative surplus value obtained by introducing machinery, plus the foregoing absolute surplus value. In other words, instead of reducing labour time or increasing wages, capital absorbs the higher productivity of labour's productive power.

But because the possible de-valorization of machinery is accelerated, the tendency is to cover its expenses within the shortest period of time possible.

This curtailment of necessary labour time is of course temporary, and it disappears once the general introduction of machinery into this branch has reduced the value of the commodity again to the labour time contained in it [...] Thus a large part of the old machinery constantly loses part of its value or becomes entirely unusable before it has passed through its circulation period, or its value has re-appeared in the value of the commodities.

(pp. 330–2)

This is the cause of the *second* effect or corollary of introducing machinery. An acceleration of overexploitation takes place, and not only is the necessary time reduced and the working day preserved, but in order to prevent the possible accelerated de-valorization of machinery, the *absolute* time of the working day is increased.

It is a general experience that as soon as machinery is employed in the capitalist way [...] once it takes on an independent existence as a form of capital vis-à-vis the worker, the *absolute labour time*, the overall working day, is not curtailed but prolonged.

(pp. 330–1)

But the main cause of such an overexploitation is 'a fall in the rate of profit' (p. 333) due to the increase of fixed (and constant) capital, which capital overcomes or compensates immediately by increasing the absolute time of labour (greater increase of relative surplus value by machinery, and absolute, by a greater absolute time of the working day).

The *third* consequence of introducing machinery in the valorization process is that, due to the fact that the price of the product is reduced (since the individual commodity contains less value), wages are also reduced or 'the value of labour capacity or necessary time for its reproduction'. In order to pay the same wages, capital increases the rhythm of the labour process:

This happens through the, so to speak, *condensation of labour time*, in which every part of the time increases its labour content; the intensity of

labour grows; there is growth [...] but in the *quantity of labour* performed within a given period. The pores of time are, so to speak, shrunk through the compression of labour [...] *of labour* performed within a given period.

(p. 355)

Evidently, in this case, ‘labour capacity is more rapidly worn out during the same hour of labour’ (p. 335); namely, overexploitation shortens the workers’ lives. But, at the same time, it allows capital to achieve a certain ‘shortening of absolute labour time’ (p. 338), because the ‘means to prolong the relative surplus time’ (p. 339) are more and more powerful (faster, more accurate, lighter, low cost, etc. machines).

The *fourth* effect of the subsumption of machine in capital is the ‘replacement of simple cooperation by machinery’ (p. 340). In other words, in the primitive workshop of manufacturing capitalism, it was necessary to organize work explicitly and before labour began. Machinery organizes labourers cooperatively in a direct form.

The *fifth* fruit is the ‘invention and employment of machinery against strikes, etc., and against of wages (p. 340). Marx at this point quotes Ure: ‘When capital enrolls science in her service, the refractory hand of labour will always be taught docility’ (p. 342).

In *sixth* place, however, machine creates the ‘*presumption of the workers in wishing to appropriate part of the productivity of their labour*’ (p. 342).

In *seventh* place, machinery allows for ‘more continuity of labour’, further allowing the use of low cost raw materials.

Lastly, and in *eighth* place, machinery produces the ‘replacement of labour’ (p. 344) because of the reduction of necessary labour: reduction of time or of necessary labourers; namely: unemployment. Thus a machine or an increase of surplus value transforms wage labourer into *virtualiter pauper* (‘virtually poor’) (see Dussel 1985a, Section 13.5).

There follows a passage in which the ‘price of the commodity and wages’ (p. 345) are compared; here Marx writes that the labourer can never buy commodities for the value which they contain at the same price as the wages received to produce it, since he receives, for example, only 80 per cent of the value produced. This is the ‘possibility’ of crises.

These eight aspects, and the ones previously mentioned, describe the concrete determinations of the real – not only formal – subsumption of labour in and by capital, thanks to the introduction of machinery, or due to the transformation of manufacturing capital into industrial capital, properly speaking. In any case, this Notebook V is abruptly interrupted to start another discourse, another theoretical work, from Notebook VI on.

PART II

Critical confrontation of the system of categories as a whole

The so-called ‘theories of surplus value’

In March 1862, Marx abandoned Notebook V, at least on p. 211 of the manuscript, for on this page he quotes *Time’s* edition of 26 November 1862.¹ Possibly the last part of Notebook V might have been continued in January 1863 when Marx started writing Notebook XIX – as we will see in Part Four, Chapter 11. In any case, in March, Marx began Notebook VI, which up to and including Notebook XV form half of the *Manuscripts of 1861–63*, and which bear the title ‘Theories of Surplus Value’, under the number ‘5’ (MECW. 30: 348),² because point ‘4’ must have been either the comparison between absolute and surplus value or the problem of accumulation, according to prior plans.³

The thesis that Marx wants to clarify here had already been discovered in the *Grundrisse* and would later become the main theoretical perspective of all this third part or ‘Theories of Surplus Value’. It reads as follows:

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. What theoretical *errors* must *necessarily* arise from this will be shown more fully in Chapter III⁴, in the analysis of the greatly changed form which surplus value assumes as profit.

(p. 348)

The fundamental questions that must not be forgotten during the development of this second part are, first, the type of ‘errors’ or ‘confusions’ into which bourgeois economists fall, and, second, the ‘necessity’ of such errors (‘necessarily arise’) if one considers that capitalistic political economy is imprisoned within the ‘bourgeois perspective’ of everyday life – in other words, economic science is contaminated from its origins or presuppositions with a *necessary* deforming ideological interpretation, which is unavoidable and inescapable.

These Notebooks, from VI to XV (‘Theories of Surplus Value’) *are not a history* of the theories of surplus value. Marx speaks for the first time in April

1867 about such a ‘history’ as Book IV of *Capital*, where the topics of the three preceding Books were to be repeated in a ‘historical form’.⁵ As we shall see, the purpose of these 1862 Notebooks was not to make a history. *Neither are they a theory of surplus value*, because this had already been partially developed up to Notebook V (our Chapters 1–3). In fact, Marx interrupted his prior discourse in order to perform a precise theoretical task: to *confront* his discoveries up to March 1862, the categories already constructed (especially surplus value) *critically*, with the categorial structures of the most important and relevant bourgeois economists prior to him. This would be a genetic confrontation between two *paradigms*: the recently discovered and growing system of categories of Marx himself, with those of the classical economists or others pertaining to the prevailing economic theory. It was not only an issue of ‘settling accounts’; it was a prior issue. It was, in fact, a ‘critique’, a matter of comparing, testing, launching his hypothesis and evaluating his capacity to answer and to test other economists and himself. With this confrontation, almost a struggle of theoretical boxing, Marx will not only demonstrate the force, the resistance of his categories already constructed, but will also be forced to develop *new categories*. This critical *confrontation* of theories, of categories (hence, neither a history nor a theory of surplus value as such), was of great importance in Marx’s intellectual biography. His theoretical hypothesis, his interpretative categorial structures, his (essentially abstract) *economic–political paradigm* shall get the ‘approval’, the ‘green light’ of the ‘test’ – a critical ‘test’, not as a conclusive or explanatory argument, but as one that endures the enemy’s attacks: confrontation which slowly develops into the possibility of performing a ‘critique’ of other categorial paradigms.

Marx had exerted this type of critical confrontation many times before. In the *Grundrisse* there is a ‘booklet’ which is a true anticipation of the ten notebooks which compose ‘Theories of Surplus Value’. It is a work of many pages which starts, like many others from these Notebooks VI–XV, from the *Manuscripts of 1861–63*:

The economists’ absolute confusion [...].

(Marx 1973: 549)

The distinction between *profit* and *surplus value* does not exist for him [Ricardo], proof that he is clear (*klar*) about the nature of neither one.

(Marx 1973: 552)

This ‘booklet’ (Marx 1973: 549–618) is a good example of how Marx sometimes leaves or interrupts his discourse to make sort of an ‘escape’, an unexpected ‘trip’ of critical confrontations which slowly intertwine themselves and constitute an independent work within the former. At the end of this long comment, he exclaimed in French in the *Grundrisse*: ‘Now back to our subject’ (Marx 1973: 618), which he could have said when returning months later to his Notebook V, prior to Notebook XIX.

As one can see, both in the *Grundrisse* as well as in the whole material used to write the first five notebooks of the *Manuscripts of 1861–63*, Marx first tried to differentiate between surplus value and profit. But between these two terms a huge practical (and theoretical) space was opening – in economic reality – in a great number of categories which had to be clarified or constructed – in which Marx now had to begin to *confront* classical bourgeois economists. In a certain way, after Marx discovered for the first time in the history of the political economy the profound category of surplus value at the level of production, the essence of capital, it was now necessary to *pass over* or *go beyond* (*übergehen*) from the perspective of this category to the category of profit. As one could not directly pass or go beyond from labour time or value to the measurement of the value of the commodity without the mediation of money, so also one cannot directly pass – because many mediations are required – from surplus value to market price and its realization in the sale, namely, *profit*. If they are not differentiated, if profit and surplus value are taken as identical, a great many confusions evidently will appear (non-clarity is a necessary consequence, because the terms are identical). In order to differentiate the mediations, the terms of the relation had to be differentiated previously.

The passage from surplus value to profit is one of manifestation (value *appears* as price of production). The passage from profit to surplus value is one of foundation (price is founded in circulation from surplus value). The bourgeois economists grant absolute priority to the passage of profit → production. Marx cannot deny the necessity of this first passage, namely the one of realization, but he articulates it explicatively from the first one. He cannot deny the necessity of a theory to explain the necessity of a ‘price of production’ (the only fundamental problem in the eyes of bourgeois economists since they analyse everything from the ‘perspective’ of capital). But Marx, who analyses everything from the subject of labour, namely, from the labourer, from the working human being (because it is an essentially *ethical*, not only a moral perspective),⁶ is interested in *founding* price on value, objectified human life, on surplus value (stolen life). He thus founded the superficial and phenomenal level of circulation on the profound and essential level of production. Thus, *critical confrontation* is necessary; in order to prove to himself that his genetically new paradigm can resist the attack of the old scientific–ideological bourgeois paradigm – because all social science, even Marx’s, of course, *always* has an ideological component, because it cannot pretend and is denied by its nature, to be the ‘absolute knowledge’, social science without ideology.

Hence, Marx worked hard, with a passionate theoretical enthusiasm, from March 1862 to November of that same year, on these 724 pages (from p. 220 of Notebook VI to p. 944 of Notebook XV; MECW. 30: 347 to MECW. 32: 543) at the rate of almost 100 pages per month. Now he had to resort to the British Museum’s library, where up to the present time we can still consult the same works read by Marx.

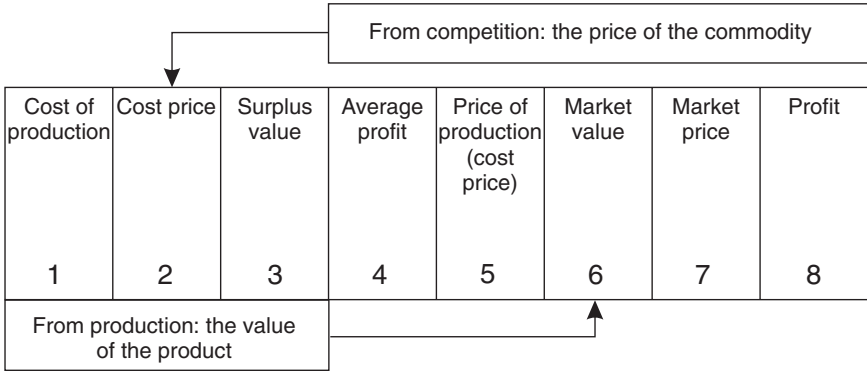


Figure 4.1 Some categorial mediations between surplus value and profit.

The profound ‘essence’ is surplus value; the ‘form’ of manifestation is profit – rent, as we shall see, is a ‘form’ derived from surplus value itself. The question is to articulate in the phenomenological or apparent level the various necessary mediations of surplus value. The problem, although introduced very much in advance, is illustrated in Figure 4.1.

Although it is not our desire to explain these eight levels of profundity, because this would be the result of Marx’s critical confrontations with the bourgeois economists, we would like to point out only a few aspects, so that one can understand, from the beginning, the categorial clarification and constitution performed by Marx, beginning in Notebook VI.

Methodologically, one must pass ‘from the abstract to the concrete’. The most simple and abstract, in this case, is surplus value, and profit is the more complex and concrete. Labour time in production, from a critical *standpoint*, determines the product and its value (levels 1, 2 and 3); while from *competition ‘in general’* – or considering capital *per se* and not actually, as many capitals, from supply and demand, which should be considered in the second of the four parts of the treatise of ‘Capital *in general*’⁷ – the ‘price of the commodity’ is determined. We must now mention that Marx can perform the ‘passage’ from surplus value to profit, thanks to two categories, namely: ‘average profit (*Durchschnittsprofit*)’ (level 4) and ‘cost price (*Kostenpreis*)’ or ‘cost of production (*Produktionspreis*)’⁸ (level 5). Just as *circulation* was the ontological totality in the movement that founded money’s functions, now *competition (Concurrenz)* will be the foundation from which the determination of the cost price or price of production is made (a concept which is still blurred for Marx, in a great deal of this *Manuscripts of 1861–63*).

Marx’s originality lies in the fact that for him, contrary to classic political economy, surplus value is, in its ‘essence’ and ‘totality’, equal to profit at an abstract level. But in order to explain concrete variances (among capitals, branches of capital, or nations), other categories are required. Hence,

surplus value can be higher or lower than the 'average profit'. On the other hand, the 'cost price' or price of production, can be higher or lower than the 'market price'. From the foregoing, one can derive important conclusions regarding the 'dependency issue', since the price of the products which allow 'extraordinary profit' in central countries contrasts with the lower profit and lower price of dependent countries. In the same manner, in developed countries the 'average profit' will be greater than the surplus value itself, and it will be the opposite in underdeveloped countries.

One last comment before approaching our subject matter. One might ask why Marx deals with so many issues under the title of 'Theories of Surplus Value'. If one studies the problem further, however, one can see that from an external historical framework (in the form of a chronology), Marx advances in the investigation of many subjects (without a prior order), although sometimes at a distance from the issue of surplus value (as in the case of Steuart, the Physiocrats or Adam Smith), or productive labour (which produces surplus value) or rent (in which surplus value is distributed), etc. In this way the unexpected problem of reproduction⁹ goes through all critical confrontation. In any case, the development of the concept of surplus value is what unifies all these Notebooks, and constitutes the great category discovered by Marx, now critically *confronted* with the 'errors' and 'confusions' of classical economists, because they ignored this category. They had to ignore it *necessarily* due to their blindness resulting from their position *within* the totality of the 'bourgeois perspective within a world – in the Hegelian and Marxian sense, which phenomenologically can be easily related to Heidegger's sense, which also depends on Hegel – founded on the 'capitalistic *being*': value that valorizes itself; outside this 'being' *nothing* makes sense, including living labour, the source from which Marx performs his confrontation.

4 Critical confrontation with Stuart and the Physiocrats

Notebook VI, pp. 220–43; started in March 1862 (MECW. 30: 347–76)

But it does not appear in this form with the Physiocrats, because they have not yet reduced value in general to its *simple substance* – the quantity of labour or labour time. Their method of exposition (*Darstellungsweise*) is, of course, necessarily governed by their general view of the nature of value, which to them is not a definite social mode of existence of human activity (labour), but consists of material things – land, nature, and the various modifications of these material things.

(pp. 354–5)

In this short chapter, we wish to have especially an explicit ‘epistemological attention’, in order to describe the method used by Marx in his *confrontations* with capitalist economists. In subsequent chapters, we shall not be able to undertake the subject in detail, hence we must clarify here this specific level of Marx’s discourse.

4.1 The case of Stuart (MECW. 30: 348–52)

Deep down, J. Stuart has a mercantilist conception.

Before the Physiocrats, surplus value (*Mehrwert*) – that is, profit, in the form of profit – was explained purely from *exchange*, the sale of commodity above its value.

(p. 348)

Marx started to pay attention to the categories used by Stuart and discovered the fundamental structure of his paradigm: surplus value obtained in the sale (upon alienation) is profit, but by no means is ‘surplus value’ as Marx had defined it in the first Notebooks of these *Manuscripts of 1861–63*. From Stuart’s point of view, surplus value and profit are identical, they are just two names with the same semantic content (according to Stuart, there is only one name: *profit*). Consequently, there is only one ‘positive profit’ which increases or expands the ‘social wealth’, the ‘sum of use values’, a greater amount of value (surplus value or profit) which is ‘produced in consequence

of the development of the productive powers of labour' (p. 351). So the 'real value' (according to Marx, the 'value of product'), or the 'creation (*Schöpfung*) of new wealth' (p. 348) is the result of a certain quantity of labour which, as an average, a worker of the country can normally perform (p. 351). This relationship between labour and value is correct, but Stuart does not ask himself '*how (wie)*' is it possible to have '*new value*', more value, surplus value. He cannot 'explain (*erklären*)' or clarify the origin of this 'particular (*einzelnen*)' capitalist surplus value. But the really essential question, which is the one Marx is interested in, comes after these categorial distinctions.

When the product is sold as a commodity, the '*relative profit*' which represents 'a loss to somebody' (p. 348) is obtained, for the manufacturer capitalist adds over the '*real value*' a determinate *extra*, something *more*. 'The price of the commodity' – Stuart's new category – is greater than the 'real value', thus achieving, during the sale, a '*relative profit*'. This is the capitalist profit which is a loss for the buyer.

Marx says that Stuart understood well that the distribution of 'relative profit' pertains to dominant classes: profit, to the manufacturers; interest, to the lenders; rent, to the land owners. He also understood clearly that all profit is surplus value of the 'price of the commodity' over the 'real price'. He also had a correct conception of capital when he discovered how the 'separation takes place between the conditions of production, as the property of a definitive class, and labour capacity' (p. 352). But, essentially, Stuart could not understand at all the question of surplus value as Marx conceived it, because he never overcame the perspective of circulation.

In fact, when Stuart asks himself about the components of 'real value' he indicates three: quantity of labour, value of means of subsistence and value of materials (p. 351). These three components ('articles' Stuart calls them) cover up or do not show the surplus value in Marx's sense. The 'quantity of labour' is the labour performed by the worker. While the 'means of subsistence' (or that required to reproduce 'labour capacity', as Marx would say) are in fact *part* of the 'quantity of labour' (it would be performed in 'necessary time', but not in 'surplus time').

To sum up, from his *confrontation* with Stuart, Marx concludes that surplus value was not discovered *as such* (as objectified surplus labour time), but only under the 'form of appearance' – as Marx would have put it – of one of its phenomena: *as profit*. But, definitely, the fundamental error or confusion is the same as that of mercantilism: to assert that a commodity is sold *above* its value in order to explain profit; it is not understood that it is sold at its value (real value that includes surplus value as quantity of objectified time over the necessary value for the reproduction of the worker's means of subsistence, to express ourselves in terms of Stuart's categories).

One must ask what kind of hermeneutical task Marx performed. Marx considered the names and categories within Stuart's mercantilist paradigm and confronted the latter with his own names, categories and paradigm. As a

result, there came out positive and recoverable aspects of Stuart, while others were rejected as a result of confusing errors.

From the ‘perspective’ in which Stuart placed himself, he is the ‘rational (*rational*) expression of the monetary and mercantile systems’ (p. 352). Namely, from his real, practical and everyday ‘world’, there is no possibility for a *rational*, coherent ‘scientific’ expression (p. 348), different from the one expressed by him. It can be perfectly ‘rational’ or ‘scientific’ and yet erroneous, blurred: it is coherent within his ‘perspective’ – which takes circulating capital as the essence and fundamental; his mistakes are thus *necessary*.

4.2 Confrontation with the Physiocrats (MECW. 30: 352–62)

For the Physiocrats, in contrast, the product is sold as a commodity at its value. But this value contains ‘surplus value’ over and above the value invested in the means of production and in the wages that pay the labour capacity of agricultural workers. This surplus value is a ‘gift from nature (*Gabe der Natur*)’ (p. 360). This surplus value is the *rent* received by the landowner. There is no other surplus value besides rent, and the profit of the industrial capitalist must be interjected as a salary for the businessman. If it is true that the Physiocrats overcame mercantilism, if it is true that they ‘transferred the inquiry into the origin of surplus value from the sphere of circulation into the sphere of direct production’ (p. 354), they also had numerous confusions.

We must indicate from the start that, in his confrontation with the Physiocrats, Marx has not yet constituted many of the required categories. Thus, for example, he accepts that rent is surplus value, strictly speaking, as he had already analysed it in the *Grundrisse*.

From the ‘bourgeois perspective’ of understanding, the Physiocrats identified the constitutive moments of capital as ‘independently of its social form – and thereby made of the capitalist form of production an eternal, natural, form of production’ (p. 353). This error concerning a historical view leads them to conceive of a ‘material law of a definite historical social stage ... as an abstract law governing equally all forms of society’ (p. 353).

The Physiocrats adequately warned that the ‘labour capacity’, as the workers’ commodity, faces the conditions of labour constituted in itself as capital; that the value of the labour capacity is equivalent to the ‘labour time required to produce the means of subsistence necessary for the reproduction of labour capacity’ (p. 353), although they made a mistake when they construed the required minimum ‘as inalterable’ – for the same labour capacity receives for its reproduction the effect of the historical development of civilization which is subject to change. But the greater mistake was that they did not understand surplus value *formally* but only *materially*:

Because *agricultural labour* is the only productive labour [which produces surplus value], the only labour that creates surplus value, the *form of surplus*

value which distinguishes agricultural labour from all other branches of labour, *rent*, is the *general form of surplus value*.

(p. 356)

The Physiocrats take definite, concrete labour [agricultural labour] as the creator of surplus value or as ‘the substance of value’, and not abstract labour with its measure, labour time’ (p. 357). Only when the ‘*social condition of labour*’ in general had been defined was it possible to construct *formally* the category of surplus value (objectified social surplus labour). But the Physiocrats could not do any of this, resulting in multiple contradictions starting from their own presuppositions.

The first contradiction is that, although they give priority to agriculture and landowners, they did not understand that the dissolution of the feudal system prioritizes now industrial capital and the same landowner appears in fact more as a capitalist than as an owner, and as such, surplus value is distributed to him as rent. To summarize:

Hence the contradictions in this system: it was the first to explain *surplus value* by the appropriation of the labour or the others [...] but it did not see [hermeneutical blindness] that value in general is a form of social labour and that surplus value is surplus labour. On the contrary, it conceived value merely as use value, merely as material substance, and surplus value as a mere gift of nature.

(p. 360)

As one can see, Marx *proves* (proves to himself the resistance or pertinence of his interpretative categories) his concepts, when confronting his eventual adversary with clarity – as in Greek rhetoric. But, at the same time, regarding the question of surplus value, new subjects arise which must be clarified. If with J. Steuart it was about the difference between the value and price of a commodity (the realization of the surplus value as profit), now instead the question is about ‘productive labour’ (that produces surplus value) and the complex subject of the ‘rent of the land’.

4.3 Other minor contradictions (MECW. 30: 362–76)

Marx continues ‘assuring’ the semantic content of the category of surplus value:

Thus the Physiocrats saw the production of surplus value as the essence (*Wesen*) of capitalist production. It was this phenomenon (*Phänomen*) that they had to explain. ... In this first conception we have, to begin with, the essence (*Wesen*) of surplus value – that it is value realized in sale, without the seller having given an equivalent for it, without his having bought it. *Unpaid value*.

(pp. 370 and 363)

Whence, therefore, comes surplus value? That is, whence comes capital? [...] Their error was that they confused the *increase of material substance*, which because of the natural process of vegetation and generation distinguishes agriculture and stockraising from manufacture, with the *increase of exchange value*.

(p. 370)

In the dialectical reflection of confrontation performed by Marx, the ‘essence’ of surplus value becomes very clear. From the essence (identity, ground, *Grund*), it is now necessary to explain, to clarify ‘phenomena’, appearances (*Erscheinung*), what is founded, namely, profit, rent, interest. But not the other way around. In addition, if they are wrong regarding the ‘essence’, semantically mistaking the formal content of surplus value with a possible material ‘phenomenon’, as a use value, all the rest is wrong and confusing.

First, François Quesnay (1694–1774), in his *Analyse du tableau économique* (Paris, 1846), divided society in three classes: ‘productive class (*laboureurs agriculteurs*), landowners and sterile class’ (p. 362). According to this French physician and economist, only the ‘agricultural labourers’ are the ‘class which creates surplus value’. Surplus value does not appear in the price of commodity, since it is sold at its value:

As soon as the labour of the husbandman *produces more than his wants*, he can, with this superfluity *that nature accords him as a pure gift* [...] buy the labour of the other members of the society. The latter, in selling it to him, gain only their livelihood; but the husbandman gathers, beyond his subsistence, a wealth which is independent and disposable, *which he has not bought and which he sells*.

(p. 363)

Hence, Quesnay correctly poses the question, but does not correctly infer its consequences. He adequately confronts ‘capital and wage labour’ in agriculture; he discovers the origin of surplus value, but he does not understand that the ‘gift of nature’ has as addressee the owner of labour (the labourer) and not the owner of the soil (the capitalist). As ‘the appropriation, without an equivalent, of another’s labour’ (p. 365) is not formally discovered by Quesnay, he defines the ‘phenomenon’ but does not know its fundamental ‘essence’. He has explicitly made the description of the ‘appearance’, but has not linked it to the ‘essence’: he knows that surplus value has not been paid for, but he attributes this gratuity to ‘nature’ and not to the violent coercion of a ‘social relationship’; namely, ‘this surplus value is explained again in a feudal way, as derived from nature and not from society; from man’s relation to the soil, not from his social relations’ (p. 360). One can understand from the foregoing the ethical sense of Marx’s discourse (if by ethical we understand the relationship amongst people, practical relation, person–person, praxis and not a productive or poetic relation: person–nature).

In the same manner, Anne R. J. Turgot (1727–1781), in his work *Reflexions sur la formation et la distribution des richesses* (Paris, 1844), concludes that ‘rent is the only surplus value, accumulation takes place only from rent’ (p. 367) and it rightfully belongs to the landowner because he has advanced the objective conditions of labour (tools, raw materials as seeds, etc.).

Ferdinando Paoletti (1717–1801), in his work *I veri mezzi de render felici le società* (Milano, 1804), always mistakes ‘value with material substance’ (p. 368) and hence industry ‘does not create anything’, namely political economy presupposes and has as its subject matter of inquiry the *material* and real production, which appears exclusively in agriculture. This economic ‘materialism’ was clearly rejected by Marx – although a certain productivism of the Real Socialism reinstated it.

Jerôme A. Blanqui (1798–1854), in his work *Histoire de l'économie politique* (Brussels, 1839), explains that for the Physiocrats the ‘excess of value’ provided by agriculture was called the ‘net product’ that landowners appropriated. Germain Garnier (1754–1821), translator of A. Smith, shows that in the case of the commodity one has to apply the mercantilist doctrine; he asserts that products are sold above their value and thus discovers that profit is made by savings – as Smith suggested – is in reality physiocratic. In any case, physiocratism tended to conceive agricultural exploitation in a capitalistic way and as ‘great agriculture’ (with a lot of money, instruments and large amounts of land), thus meaning the end of feudalism.

Marx’s ethical intuition makes him discover, according to an exclamation of Mercier de la Rivière (1720–86), in his *L'ordre naturel et essentiel des sociétés politiques* (London, 1767), the insight ‘that surplus value at least in manufacture has something to do with the manufacturing workers themselves’ (p. 373). Marx quotes de la Rivière, who said:

Open your eyes and see how many live in poverty or at least, in need, among those producers who understand the art of converting 20 *sous* into the value of a thousand *écus*.

(p. 373)

While exalting agriculture in such a way and when considering rent as surplus value, the Physiocrats dug the grave of the landowners. The French Revolution imposed taxes on the people that created new value; it virtually confiscated land, which passed into the hands of the State.

Theodor A.H. Schmalz (1760–1831), in his *Économie politique* (translated in Paris, 1826), repeats and vulgarizes the positions the Physiocrats had already reached. There appears, however, the concept of the ‘average wage’ (p. 375) which establishes a relationship with the necessary average consumption of workers. Pietro Verri (1728–1797) in *Meditazioni sulla economia politica* (Milano, 1804), starts his criticism of the Physiocrats by stating that ‘the artisan, in the price which he receives, gets not only the *replacement of his*

outlay on consumption, but a certain sum over and above that; and this sum is a new quantity of value created in the annual production' (p. 376).

To conclude, let us allow Marx to express himself:

In the Mercantile system, surplus value is only relative – what one wins, the other loses: *profit upon alienation* [...] So that within a country, if we consider the total capital, no creation of surplus value in fact takes place [...] In opposition to this [...] The Physiocrats seek to explain absolute surplus value: the *net product*. And since the net product is fixed in their minds as use value, agriculture [is for them] the sole creator of it.

(p. 374)

This translation of the mercantilist and physiocratic paradigms to Marx's, occasionally respecting the name of their categories – but semantically pouring them into Marx's – concludes the initial confrontation: 'the mercantilist system in fact denies, the creation of the *absolute* surplus value' (p. 374), while the Physiocrats construe surplus value in a materialistic fashion but ignore its *formal* essence – the fruit of abstract surplus labour.

5 Adam Smith's perplexities

Notebooks VI and VII, pp. 243–99;
after March 1862 (MECW. 30: 376–451)

It is necessary therefore to call attention to this peculiar train of thought in Adam Smith's book: first the value of the commodity is examined and in some passages correctly determined – so correctly determined that he traces out in general form the origin of surplus value and of its specific forms, hence deriving wages and profit from this value. But then he takes the opposite course, and seeks on the contrary to deduce the value of commodities (from which he has deduced wages and profit) by adding together the natural princes of wages, profit and rent.

(p. 402)

In these writings Marx stopped for a few moments to make methodological reflections. Let us examine some of these expressions to keep them in mind for later discussions:

It is this deep insight of Adam Smith's that makes him irresolute and uncertain, cuts the firm ground from under his feet, and prevents him ... from reaching a consistent and comprehensive theoretical view of the abstract general foundations of the bourgeois system. [...] With all later bourgeois economists, as with Adam Smith, lack of theoretical understanding needed to distinguish the different forms of the economic relations remains the rule in their coarse grabbing at and interest in the empirically available material (*empirischer Stoff*).

(pp. 394 and 398)

Marx already has his method fully under control, as well as the structure or paradigm of his categories – not all of them, because during the course of these notebooks we will see imprecisions as well as significant advances – and thus it is not difficult for him to see when Smith falls into contradictions with his own assumptions. Smith is sometimes 'startled' as if he did not know what to do. But immersed in the 'bourgeois perspective' of existence, he must necessarily fall into mistakes and confusions, and that explains 'Adam's twistings and turnings, his contradictions and wanderings' (p. 408).

5.1 Confusions regarding the exchange of labour for capital (MECW. 30: 376–94)

At the bottom of Marx's first confrontation with Smith lies the distinction clearly discovered by Marx in the *Grundrisse*,¹ already discussed in Notebook I (our item 1.2.b): 'living labour' is not equal to 'labour capacity'. Living labour is human subjectivity as labourer: the creative source of value. Labour capacity is only in subjectivity the real 'possibility' to be *able* to work, say for ten hours. Wages only pay the reproduction of the value of labour capacity (which the labourer reproduces in the 'necessary time'), but does not pay for *all* the living labour. Consequently:

The equating here of *labour* and *product of labour* in fact provides the first occasion for the conclusion between the determination of the value of commodities by the quantity of labour contained in them, and the determination of their value by quantity of living labour that they can buy, in other words, their determination by the value of labour.

(p. 383)

In the first case, 'labour' is ambiguously 'labour capacity' (which is paid for its reproduction) and 'living labour' (which is used but not entirely paid). If the value of the product is measured by the 'living labour' – and this is correct, even in A. Smith – and only 'labour capacity' is paid, why does a 'surplus value' remain, which is considered as 'profit'? Where does this 'surplus value' come from? From the unpaid portion of the 'living labour'. But Smith is not only unable to see this, but cannot accept it either. Consequently, he remains startled, in contradiction; this path leads him to abandon the relation at the level of the production of the labour value and enter into the empirical, superficial or apparent level of circulation: calculate the value of commodity, not by 'labour' but by its phenomenal components: wages + profit + rent. Instead of going from production to value, now he comes from price and money towards value.

From the exposition that follows, however, it will be seen that this vacillation and this jumbling up of completely heterogeneous determinations do not affect Smith's investigations into the nature and origin of surplus value, because in fact, without even being aware of it, everywhere in his analysis, he keeps firmly to the correct determination of the exchange value of commodities – that is, its determination by the quantity of labour or the labour time expended on them.

(p. 378)

Marx then recognizes, in this confrontation with Smith, his great merit. A commodity is worth as much as the 'quantity of labour' objectified in it. But he has not discovered the 'nature' of this labour.

The emphasis here lies on the equalization, brought about through the division of labour and *exchange value* [...] my labour with the labour of other words, with social (*gesellschaftlich*) labour (the fact that my labour too, or the labour contained in my commodities, is already *socially* determined in my commodities, is already *socially* determined, and has essentially (*wesentlich*) changed its character, escapes Adam) and not at all on the difference between *objectified* labour and *living* labour, and the specific laws of their exchange.

(pp. 382–3)

Because he does not understand the ‘social’ nature² of labour, nor the difference between living labour and labour capacity (the first does not have value and is the measure of all value; while the second has value and is measured by money: wages, and thus is exchangeable), Smith concludes that, given the contradiction he poses and the perplexity in which it leaves him:

In the exchange between capital and wage labour, objectified labour and living labour, the general law at once ceases to apply, and commodities [...] do not exchange in proportion to the quantities of labour which they represent.

(p. 379)

Namely, because Smith lacks the necessary distinctions, and does not construct new categories, he resolves the contradiction by revoking the general law: only in this case can unequal terms can be exchanged. Less ‘objectified labour (money)’ is exchanged for more ‘living labour’. For Marx, equal or equivalent terms in reality are ‘wages’ (objectified labour, money) and ‘labour capacity’. But then it would have been discovered that a portion of ‘living labour’ had not been paid, but stolen, and then ‘surplus value as such as a category on its own, distinct from the specific forms it assumes in profit and rent’ (p. 389) would have been revealed. Surplus value would have stopped being a ‘general category’, which ambiguously included profit and surplus value, to become the explicit category, independent, which expresses ‘*surplus value* – that is, surplus labour, the excess of labour performed and realized in the commodity *over and above* the paid labour’ (p. 388).

5.2 Identification of surplus value and profit (MECW. 30: 394–402)

In the foregoing section, ‘it was not possible to resolve the contradiction as long as capital was set directly [and ambiguously] against [[living] labour instead of against labour capacity’ (p. 380). Nowadays, in the same way, because of the habit of becoming ‘closer to empirical observation (*empirischer Schein*) and to everyday representations’ (p. 402) determined within the world, within the ‘bourgeois perspective’, one tries to overcome this contradiction

by means of another confusion. One wants to overcome the contradiction of there being a 'surplus value' in the value of the product, above the value of wages (because labour is the origin of the entire value of the product, and thus the whole value of the product should be compensated as wages), identifying, confusing, obscuring the concept of the 'creating source of value' (which is only labour) with the parts or the components of the value or price of the commodity (concrete, empirical income forms). On the one hand, surplus value (abstract and general form, the fundamental category at the level of production) is identified and confused with profit (derived, concrete form at the empirical level). And, on the other hand, the '*creating source* of value' (living labour) is also confused with the '*sources* of income' (wages, profit and rent: income for the owners of labour, capital and land). Let us now discuss the foregoing briefly and separately. It all starts with the main confusion of all of capitalism:

Because Adam makes what is in substance an analysis of surplus value, but does not present it explicitly in the form of a definite category, distinct from its special forms, he subsequently mixes it up directly with the further developed form of profit. This error persists with Ricardo and all his disciples.

(p. 395)

If Smith had discovered surplus value (as unpaid labour, as robbery, as injustice), he would have stopped being a capitalist. This is essentially an *ethical* problem! It is the case of an empirical and value judgement – so much criticized by Max Weber. As the capitalist and economist that he was, Smith could not discover surplus value because 'he conceives this *surplus value* directly in the form of profit [...] Once capitalist relations are assumed, this is quite correct' (p. 396). Once capital is 'presupposed (*vorausgesetzt*)', surplus value (as unpaid labour) cannot be defined except from the perspective of being value that valorizes itself, namely, as the profit of capital. The ethical or anthropological *blindness* (the relation human being–product; labourer–value) is a corollary to the capitalist *vision*. That 'which is downright silly' (p. 396) is for Marx the system's rationality. What 'Adam Smith puts ... down with quite naïve thoughtlessness, without the faintest suspicion of the contradiction it presents' (p. 398) is precisely what the critic Marx is interested in. In reality, the '*interest* of the capitalist' (p. 396) is what determines his theory, his science, the construction of his paradigm and categories.

Thus, Marx reaches the central pages of this Notebook. In the first place, surplus value is not so innocent, since:

Capital is productive of value only as a *relation*, in so far as it is a coercive force on wage labour, compelling it to perform surplus labour [...] Capital – like all conditions of labour – [...] it is never a source (*Quelle*)

of value. It creates (*schafft*) no new value [...] labour is the source of its value.

(p. 399)

Now, in order to overcome his contradiction, Smith has no other recourse than to 'confuse' or 'identify', as we have mentioned, the 'creative source of value' (labour) with the 'sources of income: wages, profit and rent', because it must be noted that 'it is equally wrong to say that wages are an original source of exchangeable value, although wages, or rather the continuous sale of labour capacity, is a source of income for the labourer' (p. 400). To clarify the matter, Marx uses many categories not yet sufficiently clarified, such as, e.g. 'average price',³ 'market price', 'natural price', 'cost price'⁴ of wages, of profit, of rent, of the commodity; 'value of the commodity', 'value of the product', 'value of the profit', etc. As one can see, all these categories are precisely those which Marx will define in the remaining portion of these manuscripts – and which prepared the way for the famous chapters 1, 9 and 10 of Book III of *Capital* edited by Engels.

Later we shall discuss all these categories in detail.

All the names of these categories, however, must not make us forget our intentions. We must not forget our purpose. The 'value of the commodity' (which in fact here means the same as 'value of the product', since the former could be the 'market value', as we shall see below) could be approached from two different angles: (a) from the subject, the labourer (subjective and fundamental aspect, productive), or (b) from capital, circulation (empirical or phenomenal, superficial aspect).

Adam Smith and the capitalist economist gave priority – although they also discovered the relationship of arrow *a* to the relationship *b* (arrow *b* 'presupposes' the *interest* of capital) (see Figure 5.1). They never discovered from this perspective surplus value *as such* (which is at the level of production in the relationship 'living labour value'). I think that we are now in position to understand the text placed at the beginning of this chapter.

In fact, Smith first determines value from labour, in general, in an abstract manner (*A*). But when he finds a non-equivalence, when he discovers that in addition to wages, profit must be present in the value or the price of the commodity, contradicting himself and confusing the 'sources' (of the creation of value and of income), he derives the value of a commodity from the sum of wages, profit and rent (*B*). This is an absurd ideological leap in his discourse – an epistemological contradiction 'required' to save the *interest* of capital.

5.3 The question of reproduction (MECW. 30: 402–51)

We now approach a subject which Marx had started to discuss in the *Grundrisse* and which he dealt with again in the manuscripts used by Engels to publish Book II of *Capital*.⁵ The question was approached up to Notebook X, which explains the exclamation regarding Quesnay's *Tableau Économique*

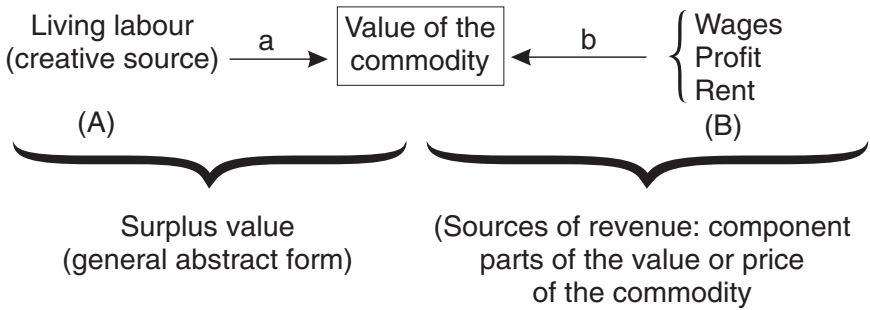


Figure 5.1 Surplus value and profit. Creative source of value and sources of revenue.

which only had five lines: ‘A truly brilliant idea, without dispute the most brilliant idea one can recognize in the political economy to this date’ (MECW. 31: 240). Marx looked for many ways to clarify the question of the ‘reproduction process (*Reproductionprozess*)’; his paths frequently ended in ‘this highly irksome calculation’,⁶ or, after having written dozens of pages, he had to recognize: ‘Some had posed the question in a different way’ (p. 437). As for us, we must explain the essential conclusions of the ‘comings and goings’ of the investigation of the reproduction process of constant capital which manifests itself in the value or price of the commodity, as we did with the *Grundrisse*.

Indeed, everything starts because Smith wonders about a ‘fourth part’ of the price of commodities: wages, profit, rent and the consumption of the means of production (which Marx already clearly names ‘constant capital’).

In order not to get lost, it is convenient not to forget the fundamental position of Marx in all discussions with Smith. We read: ‘The value of the total annual product [of a country] is equal to the quantity of labour time materialized labour in them’ (p. 408); or ‘all the elements of the linen [product] are resolved into a sum of quantities of labour’ (p. 451). For Smith, the value or total price of a product or commodity was the sum of revenues (money: wages, profit or rent). For Marx, the value or price is *always* labour: past labour, pre-existent or present labour or ‘recently added’ labour. Marx’s theory demonstrates how the constant capital is only labour that is transferred to the value of the product. But this not only happens in the constant capital of the producers of the ‘consumable product (*consumables Produkt*)’, but also in the case of the producers of machines or raw materials.

To sum up, for Marx the value or price of a ‘final product (*Schlussprodukt*)’ or ‘consumer good’, namely, the product that is bought by an individual consumer and not by another capital that integrates it as constant capital, has two ‘components’: the first one is integrated by a *use value* produced by ‘recently added’, ‘additional’, ‘new’ labour (that establishes a relation with variable capital and that circulates from production to product); the second, the more problematic, is constituted by the ‘component parts of

value (*Werthbestandtheilen*)' (p. 445). These 'component parts of value' of the 'total price of the product' are in reality the parts of value which are consumed or destroyed from the constant capital; both the total raw material incorporated and the 'proportional part' of the consumption of machinery (p. 447). Here Marx passes from the level of production (constant capital) to the level of circulation (circulating or fixed capital), because the 'component parts of value' are, exactly, the parts of the constant capital that *have circulated* (current capital) or have passed to the product. Hence, those 'component parts of value' allow for the reproduction of the constant capital.

In addition, Marx introduces the 'different spheres of production (*Productionssphären*)' (p. 436) in the subject matter of reproduction, which allows him to analyse the fact of exchange among producers of means of production (in reality they only exchange among them '*in natura*' (p. 451), who, when relating or exchanging with the producers of 'final' or 'consumer goods', *realize* their newly added labour in the consumable product. In other words, both the producers of means of production and the producers of consumer goods obtain surplus value for their respective products (be it cotton, machine or linen to be used). But the producers that produce means of production (cotton or machines) do not yet properly *realize* their surplus value when exchanging their products among themselves (they still have it 'as product'; as the value of the product). But only when the means of production (cotton or machine) are sold to the producer of *consumer* goods (as its constant capital: the cotton and the machine of the producer of the linen for consumption), and when this producer of fabrics *sells his product* (linen), the 'component part of value' that has circulated in the total price of the *final* product (namely, the cotton and the consumed portion of the machine that passes to the linen), is the income (wages and profit) of the producers of the means of production effectively *realized* (see Figure 5.2):

Thus although the final product – the linen, which represents all consumable products – consists of newly added labour and constant capital, and so the final producers of this consumable product can only consume that part of it which consists of the labour most recently added, of their total wages and profits, their revenue – nevertheless all the producers of constant capital consume or realize their newly added labour only in the consumable product [...] They realize all added labour in the consumable product instead of in their own product.

(p. 446)

The component of the capital that remains as constant capital and that does not pass to the product is retained as 'conditions of production', which anyway includes living labour, because in the end machines behave as consumable products as well. Thus, one may conclude:

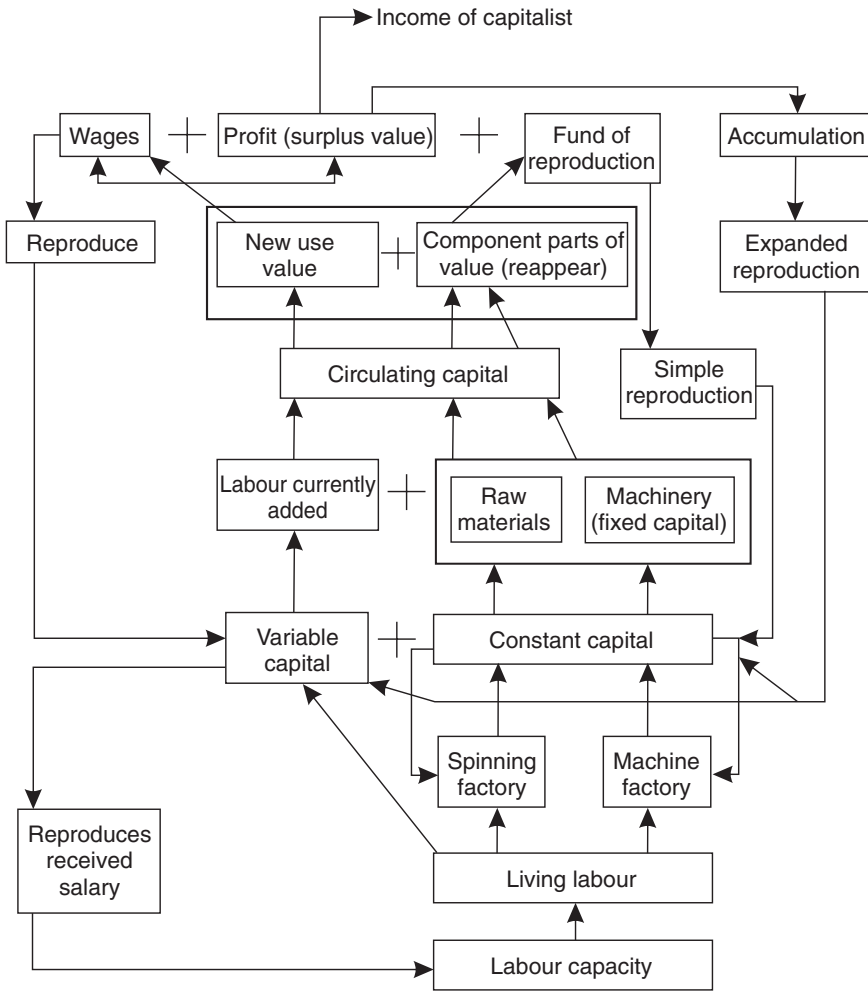


Figure 5.2 Some moments of the description of reproduction in Notebook VII.

Each capital is always simultaneously divided into constant and variable capital, and although the constant capital, like the variable, is continuously replaced by new products, it always continues to exist in the same manner, as long as the same kind of production continues.

(p. 450)

Marx continues investigating the question of surplus value. Smith has fallen into new contradictions by having 'made wages, profit and rent the constituent component parts of exchangeable value or of the total price of the product' (p. 408). For Marx, instead, the portions are the 'newly added'

labour (that produces the value of wages and profit, which was first surplus value) and the 'component parts of value' that have passed from constant capital to the product – that had incorporated surplus value as the product of the producers of the means of production. Again, everything is conceived starting from labour, from the 'creative source of value', and not from capital, or from 'sources of revenue'.

To sum up: 'materially' any value is nothing but objectified labour (constant or fixed capital, as well as circulating capital, the new value or the component parts of value and even the 'fund' for wages or variable capital: everything), namely, *living labour*, human activity. All profit is 'formally' just surplus value, namely, not paid (robbery, fundamental ethical position) labour. There is no place for Smith's escapades.

6 Productive labour

Notebooks VII and X, pp. 299–444;
between April and May 1862
(MECW. 31: 7–250)

Productive labour, in the meaning of capitalist production, is wage labour which, exchanged against the variable part of capital (the part of the capital that is spent on wages), reproduces not only this part of the capital (or the value of its own labour capacity), but in addition produces surplus value for the capitalist [...] Only that wage labour is productive which produces capital [...] Consequently, only that labour capacity is productive which produces a value greater than its own.

(p. 8)

In the last chapter, we considered surplus value as an objective effect of labour, of surplus labour. Now we must consider the subjective aspect of the surplus value: the type of labour that formally creates it, which strictly adds surplus value. Moreover, Marx goes back to the question of reproduction, which had been his concern during all those months, and always in relation to the difference between capital and income, and especially some comments about Quesnay's *Tableau économique*.

6.1 Productive labour, capital, and commodities (MECW. 31: 7–29)

We must first point out that, according to Marx, the name 'productive labour' has three different meanings. An extensive one, regarding its 'absolute' meaning (which is only sufficient 'to keep the worker alive, that is, to reproduce the *labour* capacity') (p. 8). The second meaning, abstract and material, means the 'real (*wahrhaft*) productive *labour*' (p. 9), the one that would produce use value for the labourer if there were no capital (any surplus labour would be for the labourers). In this second meaning, labour could be productive in a post-capitalistic society. But in this paragraph, the meaning of the term 'productive labour' establishes a relationship with '*relative* productivity':

This is productivity is based on relative productivity – that the worker not only replaces an old value, but creates a new one; that he objectifies

more labour time in his product than is objectified in the product that keeps him in existence as a worker.

(p. 9)

In this type of 'productive labour' lies 'the origin of the surplus value [...] the essence (*Wesen*) of capital' (p. 9). For the Physiocrats, as we have seen, only agricultural labour was productive, because it was materially objectified in a 'net product', in a surplus value empirically tangible: a use value. As for the mercantilists, they defined as productive any labour which produced commodities devoted to exportation and which rendered more money than was invested. For this reason, mining *labour* was considered productive; and to the extent that the value of the money (gold and silver) declined, wages fell at the same rate and a greater relative surplus value was obtained in manufacturing industry. After these brief reflections, Marx returns to Adam Smith.

Indeed, Smith has a 'false conception' of productive labour because he believes that only labour that produces value is productive, and he is not aware that it is possible to produce value without creating surplus value. To create surplus value and to produce value are two different determinations. To produce value is a *material* activity (determination by its content); to create surplus value is a *formal* determination:

These definitions are therefore not derived from the material characteristics of labour [...] but from the definite social form, the social relations of production, within which the labour is realized [...] It is a determination of labour which is derived not from its content or its result, but from its particular social form.

(pp. 13–14)

A clown who works in a circus produces surplus value for the owner of the circus (his 'clownish jokes' are productive labour). A construction labourer who builds a house constructed by a businessman for his own use with his income performs unproductive labour.¹ Then, labour is productive when it produces surplus value, when it is exchanged with capital, when it is in a 'social relationship' *formally* capitalistic:

The *productivity* of capital consists first of all, even when it is only the *formal* subsumption of labour under capital that is being considered, in the *compulsion to perform surplus labour*; to work beyond the individual's immediate needs. The capitalist mode of production shares this compulsion with previous modes of production [...] carries it out, in a manner more favourable to production.

(MECW. 34: 122)

It is only this particular *relation* to labour which converts money or commodity into capital [...] Productive labour is only an abbreviation for

the whole relation in which, and the manner in which, labour capacity figures in the capitalist production process. It is however of the highest importance to distinguish between this and *other* kinds of labour, since this distinction brings out precisely the determinate form of labour on which there depends the whole capitalist mode of production [...] Hence, in speaking of *productive labour* we are speaking of *socially determined* labour.

(MECW. 34: 131)

We should not forget that to be ‘socially’ determined means not belonging to a *community* of origin, to be uprooted, isolated, individually abstract; also divided, isolated by the ‘social’ division of labour in the factory; and, lastly, to socialize one’s own alienated being in the market thanks to being also the abstract possessor of some money, which is only good for consuming commodities of capital. ‘Socially determined (*gesellschaftlich bestimmt*)’ labour, means labour subsumed by capital – even if it is not really subsumed. In this ‘social relationship’, productive labour has ‘a second determination: [...] for which the *content of the labour* is a matter of complete indifference and which is independent of that content’ (MECW. 34: 143).

Another way to objectively describe productive labour is by the fact that it produces commodities, not only to create surplus value – although it is really just the same with a different reference:

It is however clear that in the same measure as capital subjugates to itself the whole of production [...] there will also develop more and more a material difference between productive and unproductive labourers, inasmuch as the former, apart from minor exceptions, will exclusively produce *commodities*, while the latter, with minor exceptions, will perform only personal services. Hence the former class will produce immediate, material wealth consisting of *commodities*.

(pp. 16–17)

Capital is employed to subsume labour in order to produce commodities, therefore it is productive labour. Income (profit, rent and even wages) can be exchanged for labour, but in this case labour produces personal fringe benefits: goods for personal use (unproductive labour). Smith has a series of confusions because once again the difference is not clear for him. Marx repeatedly mentions that ‘that neither the special kind of labour nor the form of appearance of its product necessarily make it *productive* or *unproductive*’ (p. 20). The same kind of labour performed, say, by a tailor might be productive if it produces commodities for capital, generating surplus value, or unproductive if it produces a product for the possessor of an income – objectifying a use value for direct consumption.²

6.2 Polemics regarding productive labour (MECW. 31: 29–130)

In this debate, Marx confronts four authors or problems. First, he discusses the position of G. Garnier; second, he returns to the fundamental questions concerning John Stuart Mill (1806–73), the son of James (1773–1836), who wrote the *Essays on Some Unsettled Questions of Political Economy* (London, 1844); third, again, and for the second time, there are a few pages about reproduction; and, finally, he confronts the thesis of Charles Ganilh (1758–1836), presented in *La Théorie de l'économie politique* (volumes I and II, Paris, 1815). In all of them, and with some other authors, Marx follows their reflections in order to clarify, by confrontation, the question of surplus value related to productive labour, and, by its objectification, the issue of use value, of constant capital, namely, reproduction.

In opposition to Smith, many authors consider as productive labour some tasks which the Scotsman deemed unproductive. 'Higher-level labourers' (bureaucrats, military officers, etc.) defended themselves from their own sterility; on the other hand, others that in the past were deemed as unproductive now were declared productive (such as traders and even landowners); as for the economists, they 'believed they were glorifying and justifying every sphere of activity by demonstrating that it was linked with the production of material wealth' (p. 31).

Marx analyses the work of Garnier from pp. 31–97, although he also mentions other authors such as Sismondi, Ricardo, Petty, etc. From a Physiocratic position, Garnier defines as productive any labour that 'produces some use value' (p. 80). According to him, any labour that preserves use values is also productive; that which saves *labour* for a productive labourer; for the entrepreneurs of State organizations, such as a bridge and road engineer, etc. On this point Marx defends Smith, indicating that he does not deny that an unproductive labourer produces a product of some sort. 'Otherwise he would not be a labourer' (p. 82). But Garnier has not understood that productive labour is labour exchanged for capital, while unproductive labour is that exchanged for revenue (p. 83). There are more criticisms, but they are obvious.

Charles D'Avenant (1656–1714), in his *An Essay upon the Probable Methods of Making a People Gainers in the Balance of Trade* (London, 1699), from a mercantilist perspective, divides the English people into two classes: those who 'increase the wealth of the Kingdom, 2,675,000 heads' (p. 32); and those who 'decrease the wealth of that Kingdom, 2,850,000 heads' (pp. 32–3); the former are the lords, barons, gentlemen, traders, etc.; the unproductive ones are sailors, agriculturers, servants, labourers, because they sustain themselves by 'working', but without producing any excess that would increase the wealth of the nation. We must not think, nevertheless, that he is so naive, because in his work *Discourses on the Public Revenues* (London, 1698) he asserts that neither gold nor silver constitutes the wealth of a country, but 'the natural or artificial product of a country, what their land, or what their *labour* and industry produces' (p. 34).

John Stuart Mill is the object of a special treatment *in extenso*, not only regarding the question of productive labour, but also of surplus value, profit and the ‘production cost’ of constant capital (the question of *reproduction*). On the one hand, he deems productive any labour intended to reproduce the ‘labour capacity’ of productive labour, which is a false approach, or at least not quite accurate. But the expression ‘to replace capital, is to replace nothing but the wages of the labour employed’ (p. 36), sends Marx on a long exposition that he himself admits is a ‘digression’ (p. 77) from the main subject, because ‘Mill does not distinguish surplus value from profit’ (p. 36). Hence, he also does not distinguish the rate of surplus value from the rate of profit. For the same reason, he cannot differentiate between ‘the [real]³ production cost of the article and the production cost to the capitalist, since he does not pay a part of the production cost’ (p. 38). And so, Marx must return again to the problem that had been worrying him: *constant capital*, that determines the rate of profit (for it indicates the relation between surplus value and total cost) and, especially, the question of confusion between the ‘sources of revenue’ (wages and profit) and the ‘creative source of value’. Mill makes a lot of ‘false manoeuvres’, all of which Marx analyses one by one, advancing his reflections on the problem of reproduction (pp. 40ff.). The question is formulated as follows:

As rate of profit surplus value is not only calculated on that part of capital which really increases and creates surplus value, namely, the part laid out in wages, but also on the value of the raw materials and machinery whose value only reappears in the product.

(p. 54)

A comparison of the two terms – surplus value and constant capital – can provide many possibilities; when the constant capital increases, surplus value falls as the rate of profit, etc. Moreover, he analyses the case of a capital I and a capital II – in the line of the reproduction schemes. He also studies the impact of the ‘increase of the production cost of wages’; new possibilities arise here, among which we find, for instance: ‘the rate of profit can rise although the production costs of labour (wages) remain the same’ (p. 55).

Constant capital not only has an influence on the rate of profit:

How can a change in the value of constant capital retrospectively affect the surplus value? For once surplus value is assumed as given, the ratio of surplus to necessary labour is given, and therefore also the value of wages, i.e. their production costs.

(p. 60)

This change in constant capital cannot have a direct influence over surplus value, but indirectly it can, through the ‘production cost of the surplus value’ (p. 60); and thus ‘the rate of profit will fall because the production cost of the

surplus value has risen for the capitalist, namely, he will have to spend [...] more in order to appropriate [if the constant capital had increased] the same amount of other people's labour time than before' (p. 61). Marx still talks about 'cost of profit [that is equivalent] to the total cost of the capital advanced in order to obtain this surplus value' (p. 63), and expounds his position, now with a definitive clarity regarding the difference between the rate of profit (surplus value divided by constant capital and variable = $s \div C$) and the rate of the surplus value (surplus value divided by the variable capital = $s \div V$) (pp. 70–4).

Marx ends with the affirmation that John S. Mill continuously gets confused. He is not right in saying that 'capital, strictly speaking, has no productive power. The only productive power is that of labour' (p. 77), because capital is what *formally* constitutes labour as 'productive'; but, on the other hand, Mill is right when he writes: the '*productive power of capital* can only mean the quantity of real productive power which the capitalist, by means of his capital, can command' (p. 77).

Marx then returns, once again, to the reproduction issue. He is concerned with this problematic and thus he exclaims when finishing these pages: '[...] so much for that' (p. 94).

The question is now as follows:

The value of the product of the year's labour is not the product of the year's labour. It also replaces the value of the past labour which was objectified in the means of production. Therefore the part of the total product which is = to this value is not only reproduction of past labour.
(p. 84)

Once again, Marx wants to indicate the difference in the total value of the product or commodity, between that part which corresponds to an effect of the 'new added labour' (labour paid with variable capital which creates surplus value) and the part that only *replaces* value in the product as the reproduction of past objectified labour in the means of production. Subtracting the *part* of value that represents constant capital in the value of the product, what remains once the product has been sold is the *income* that can be used for his particular consumption. The *part* of value that represents past labour 'belongs to the process of production (or reproduction) and must be transformed' (p. 86) into means of production again, as 'cost [of production or reproduction] of the constant capital' (p. 89).

On the other hand, Marx has imposed on himself a different problem: the exchange between two capitals that produce means of production (always starting from the scheme of reproduction). In this case, 'they replace the part of their product which does not consist of revenue and which therefore cannot be exchanged for consumable products, *in natura* or by the exchange of constant capital for capital' (p. 93).

This allows him to deny the affirmation of G. Garnier, who believes that

‘the whole capital is in the end always replaced by consumer’s revenue, since a part of the capital can be replaced by capital and not by revenue’ (p. 94).

Ganilh falls into mercantilism when he argues that ‘wealth comes exclusively from trade’ (p. 98). While it is true that ‘labour without exchange creates no bourgeois wealth’, it is not ‘the exchange itself that gives them their *magnitude of value*. In exchange they appear as general social labour’ (p. 99). Value does not result from the exchange, but only appears in it. But, in actuality – as we have mentioned before – Marx is interested in another issue:

If [...] according to Adam Smith, that labour is productive which is directly exchanged for capital, then we have to consider, apart from the form, also the material components (*stoffliche Bestandtheile*) of the capital which is exchanged for labour.

(p. 104)

These material components, which are essentially constant capital, have to be preserved or reproduced as much as the *labour* capacity. The latter must be included in the ‘production costs of wages’ (p. 110); the former presents another problem:

As the constant capital grows, so also does the proportionate quantity of the total labour which is engaged in its reproduction [...] a relatively greater part of the total labour employed is engaged in the reproduction of means of production [...] enters into the production costs without being individually consumed by anyone [...] it is the product of labour [...] but once transformed into constant capital [...] each subsequent product is the product of this past labour and of present labour.

(pp. 113–14)

Later, Marx continues with a long confrontation – with others involved, such as Jean-Baptiste Say (1767–1832), with his *Traité d’économie politique* (Paris, 1817), and Ricardo, with his doctrine of the *net product* – that we will not follow step by step because what we have said is enough to understand the text.

6.3 Towards the end of the polemic (MECW. 31: 130–203)

In this section we shall specifically discuss four questions: the whole problematic of the exchange between revenue and capital; the debate with François L.A. Ferrier (1777–1861), in his work *Du gouvernement considéré dans ses rapports avec le commerce* (Paris, 1805); the origin of profit, by Count Antoine-L.C. Destutt de Tracy (1754–1836) in his *Éléments d’idéologie* (Paris, 1826);⁴ and the social form of the economical phenomena in the Italian Pellegrino Rossi (1787–1848) in his work *Cours d’économie politique* (Brussels, 1842). In all these confrontations, Adam Smith is the reference, and frequently Marx

defends Smith against his superficial detractors. Nevertheless, as in the foregoing paragraphs, Marx returns to the question of the constant capital from the problematic of productive labour: since the latter creates the value of commodities, and these are measured by the sources of revenue (wages and profit) when one wants to ‘distribute’ this income, the issue of the portion needed to reproduce the constant capital appears once again. All the foregoing shall end up with the discussion of Quesnay.

First of all, Marx sets forth – and it is also an issue that worries him, because the accumulation problem has to be discussed after relative surplus value and, hence, all these confrontations on other matters postpone its analysis – the difference between accumulation and reproduction:

The part of the *revenue which is transformed into new capital* [...] it belongs to the section on accumulation [...] The revenue which is exchanged with capital consumed in production, so that by means of this exchange no new capital is formed, but old capital replaced – in a word, the old capital is conserved.

(p. 130)

Marx is concerned with the question of the ‘total volume of the annual product’, of which one part is consumed as revenue (expenses) and another is replaced as constant capital (reproduction). And against the harmonizing position of the eternal possibility of reproduction of capital – adopted to a certain extent by Lenin because of his anti-populism and against Rosa Luxemburg – Marx suggests the central question of a theory of crisis:

If consumable products are produced in proportions corresponding to needs, which means also that the proportional amounts of social labour required for their production are proportionately distributed which of course is never exactly the case, there being constant deviations, disproportions, which as such are adjusted; but in such a way that the continuous movement towards adjustment itself presupposes continuous disproportion [...]

(p. 131)

Marx knows too well that the production of surplus value means a loss of money to the labourer (wages are lower than the produced value); namely, there is a loss of purchasing power. Certainly, the waste of revenue that corresponds to the capitalist’s surplus value compensates in part the insufficiency of the market to purchase the surplus production, but, at any rate, *crisis* is essential for the same structure of valorization, and reproduction never appears without *disproportions* (in the peripheral countries these disproportions are structural and enormous when the ‘central’ capital is in crisis, as nowadays; this constitutes a new conjunctural problem to the ‘dependency issue’).

Marx reflects on how within *competition* the ‘necessary time’ for the reproduction of the *labour* capacity declines tendentially, but also the ‘necessary social time’ for the production of the value of commodities; this leads to lower prices in the competition with other capitals or branches. The ‘production cost’ (subjective and objective) is reduced. For the first time, he mentions ‘supply’ and ‘demand’ (p. 133).

There are, then, three possibilities of exchange: ‘exchange of revenue for revenue, exchange of revenue for capital, or finally, exchange of capital for capital’ (p. 151). Marx only proposes to analyse these possible exchanges between a capital A (that produces consumer goods) and another B (that produces means of production). In the first case, exchange of revenue for revenue, capitals A and B exchange goods that are devoted to ‘satisfy someone else’s needs’ (individual consumption) and that include wages and profit of someone else’s capital.

The exchange between revenue and capital, on the other hand, is more complex. Marx deals with each of the possibilities (from pp. 134ff.). A portion of the product (e.g. factory) might be used by the same producer (revenue then); another portion might be exchanged in kind for products for individual consumption (revenue also), ‘but regarding the rest of his product’ it is divided into ‘parts’: one part is exchanged with the capital B that produces means of production (constant capital; revenue for capital), that will be ‘industrially consumed’ in the production process. Marx continues analysing all possible exchanges:

If we look at the relation from both sides, then A exchanges his constant capital for B’s revenue, and B exchanges his revenue for A’s constant capital. B’s revenue replaces A’s constant capital, and A’s constant capital replaces B’s revenue.

(p. 137)

Marx is interested in the question of the reproduction of constant capital. ‘First, the raw materials. [...] secondly, the fixed capital. [...] In the third place, instrumental materials [...]’ (pp. 144–6). The reproduction issue is always present:

The producers of inconsumable products are the producers of constant capital for the producers of consumable products. But at the same time their products serve them reciprocally as elements or factors of their own constant capital. That is to say, they consume each other’s products *industrially*.

(p. 147)

We notice then that in reality Marx is developing subjects of the future Book II of *Capital*, with a greater effort than in the *Grundrisse*.

Marx continues his discourse by attacking Ferrier. He criticizes him by

saying that besides revenue (profit) and wages, there is in the annual total product, past objectified labour in constant capital (pp. 152ff.). Likewise, he mentions that it would be worthless to have value (money), part of the realized profit (unpaid labour), to buy more labour, if there were no available labour:

Adam Smith knows, however, that an increasing quantity of labour will be available. Partly [due to] the annual increase quantity of population (though this is supposed to be provided for in the old wages), partly unemployed paupers, or half-employed labourers, etc. Then the large numbers of unproductive labourers, part of whom can be transformed into *productive* labourers by a different way of using the *surplus produce*.
(pp. 155–6)

The popular ‘masses’ remain in the *relative* exteriority of capital, because if they are available that means that capital has destroyed precisely the capacity to reproduce their life *outside* capital. That is, capital has dissolved the ancient mode of production and life, and has transformed them into ‘available’: paupers. They are not really subsumed by capital, but they are not in absolute exteriority (as the socialist or pre-capitalist mode of production might be).

Marx ends with the re-reading of some of Smith’s text, always related to the question of productive labour and reproduction. We shall not mention the few lines devoted to the work of count James de Lauderdale (1759–1839), *An inquiry into the nature and origin of public wealth* (London, 1804), nor those of Jean B. Say. On the contrary, several pages are devoted to Destutt de Tracy, but without giving much importance to his doctrine about the ‘*classe oisive* (idle)’ (landowners and bankers), ‘industrial capitalists’ (those who produce wealth), and the class of ‘productive labourers’, who in reality do not produce wealth, profit, and from whom the capitalists ‘recover their wages’ (the doctrine of the ‘recovery of wages’). In any case, he does not suspect what can be ‘the source (*Quelle*) of profit’ (p. 172). In fact, he mentions something about profit ‘distribution’ or the ‘reflux’ of money, but nothing about ‘whence this total profit comes’ (p. 175).

And returning to the polemic about Smith, Marx mentions pertinent insights about production and consumption:

The labourer’s consumption on the average is only equal to his production costs, it is not equal to his output. He therefore produces the whole surplus for others, and so this whole part of his *production* is *production for others*. Moreover, the industrial capitalist who drives the labourer to this *overproduction* [...] directly appropriates the surplus product for himself [...] Over against this overproduction on one side must be placed overconsumption on the other, production for the sake of production must be confronted by consumption for the sake of consumption [...] Production and consumption are *in their nature* inseparable, [...] their

unity is restored through their opposition – that if A must produce for B, B must consume for A [...] on the one side, production for production, therefore on the other side consumption of foreign production.

(pp. 179–81)

At the international level, the consumerism of the central countries is the counterpart of the poverty of peripheral countries. The labourer's surplus production (unpaid surplus labour) is loss of consumption for him; that is, the surplus appropriation of the capitalist leads him to the unnecessary over-consumption (when exchanging revenue for unproductive *labour* and luxury). The poverty of the poor is the luxury over-consumption of the rich.

In the comments about Henri Storch (1776–1835), referring to his *Cours d'économie politique* (Paris, 1823), Marx has the opportunity to develop some lines of his thoughts about 'spiritual (*geistig*) production' (p. 182)⁵. For the first time since the beginning of *Grundrisse* or the *Contribution* (1859), Marx dedicates four pages to this ideological matter. The question of 'spiritual production' or 'a superstructure (*Superstruktur*) of ideological strata (*ideologischer Stände*)' (p. 184) – this is the only time I have found this denomination – always has to be situated in a determinate articulation of society in its definite historical form and always in reference to 'a determinate relationship between human being and nature', this is, in relation to the 'material production' (p. 182). Then we find, again, the 1854 thesis of *The German Ideology*:

Because Storch does not conceive material production itself *historically* because he conceives it as production of material goods in general, not as a definite historically developed and specific form of this production – he deprives himself of the basis on which alone can be understood partly the ideological component parts of the ruling class, partly the free spiritual production (*freie geistige Produktion*) of this particular social formation.

(p. 182)

We cannot comment here on these pages of great value for the sociology of knowledge. We just wish to set forth the importance attributed by Marx to 'free' spiritual production. Furthermore, we must relate this concept to 'free time', and the 'realm of freedom', both in the *Grundrisse* and in *Capital*, which as art, poetry and other activities: 'spiritual labour', so far from subsequent vulgar materialism. At the time of the 'still revolutionary bourgeoisie' (p. 197) of Smith, spiritual labour was unproductive, but later it was deemed a useful ally:

The contradictions in material production make necessary a superstructure of ideological strata, whose activity – whether good or bad – is good,

because it is necessary [...] all the functions are in the service of the capitalist, and work out to his *benefit*.

(p. 184)

Nassau W. Senior (1790–1864), the work of whom, *Principes fondamentaux de l'économie politique* (Paris, 1836), Marx analysed in French, does not say anything new, with the exception of 'productive consumption' or 'unproductive consumption'. But Marx shows that in the end both of these are the same, because 'consumption would be productive if it employed labour that either reproduced labour capacity itself [...] or *reproduced* the value of the commodities with which it was bought' (p. 189); in other words, what Smith calls 'productive or industrial consumption' (p. 189) (because labour is consumed productively when it is productive).

When explaining the insight of P. Rossi, Marx arrives at a new formulation of the issue of surplus value:

As all capitalist production rests on the direct purchase of labour in order to appropriate a part of it *without purchase* in the process production; which part however is *sold* in the product.

(p. 190)

Rossi falls into obvious errors. There is no difference between the capitalist 'mode of production' and the prior ones; material and formal production are identified ('a *social* mode of production') (p. 192).

This Notebook IX ends – because very little can be commented on the Malthusian Chalmers (1780–1847) or on Jacques Necker (1732–1804) – if one considers Smith in a positive way, as we have said, as the exponent of 'a still revolutionary bourgeoisie', that makes him a violent critic of the totality of the old 'ideological castes'; and because they must be considered as the '*faux frais* of production', they should be reduced to a minimum. However, shortly after, when 'the bourgeoisie [...] takes over the State [it] tries to justify economically from its own stand point what at an earlier stage it had criticized and fought against' (pp. 197–8).

I shall make two final remarks. First of all, Marx states that what the form of hoarding was for money is now the accumulation of capital, but under its '*real* form: reproduction' (p. 199). To Marx, though not for Quesnay as we shall see, reproduction is fundamentally performed at the material level of the constant capital, of the use value of capital, but while it formally 'produces money':

This distinction is founded on the nature of bourgeois production itself, since wealth is not the equivalent of use value, but only the *commodity* is wealth use value as bearer of exchange value, as money.

(p. 200)

6.4 Quesnay's *Tableau Économique* (MECW. 31: 204–50)

Notebook X begins on p. 422 of the manuscript with the diagram of reproduction of the great Physiocrats that, although it is called a 'digression' (p. 204), it is intended in reality to order some ideas on this subject that have appeared so many times in the question of the productive labour: the *reproduction* of the capital. It is striking that in the *Grundrisse*, after having discovered the category of surplus value, and after discussing the Physiocrats and Smith, as here, Marx refers equally to 'productive labour' (Marx 1973, pp. 328ff.), and of labour, profit and rent. Shortly afterwards, having already treated labour, Marx wonders:

What about the other two parts of capital, which are realized in the material of labour and the instrument of labour?

(Marx 1973: 324)

Marx immediately raises the issue of the 'components of the production costs', which cannot be equivalent only to wages and profit, and presents the example from which, once developed, the diagrams of reproduction shall appear (50 for cotton, 40 for wages, 10 for instruments, 40 of profit = 140 thalers). Because labour only produces 80 (40 in the necessary time and 40 as surplus time), how are the 60 remaining thalers of the 'means of production' recovered if labour does not reproduce them? 'Old' values are conserved by labour but are not produced by it (Marx 1973, pp. 354–8). And from there until the first diagram of reproduction, with five terms, Marx keeps treating the subject interruptedly – without an adequate solution to the problem of reproduction, but he does have an answer for the discovery of constant capital.⁶

Only in these *Manuscripts of 1861–63* is the solution found. We have already seen it in sections 5.3, 6.2 and 6.3.⁷ Afterwards come the commentaries regarding Quesnay's *Tableau*, and when treating the problem of 'accumulation', Marx leaves as testimony the best 'schemes of reproduction' in Notebook XXII.⁸ In a third period (taking the *Grundrisse* and these *Manuscripts* as the two prior periods) the *Manuscripts of 1863–65*, in which he must have dealt with the question, should be considered.⁹ The fourth and definitive period consists of *Manuscript II* (1865–70) and *VIII* (1877–8), which Engels would later use for chapters 20 and 21 of the third section of Book II of *Capital*. We shall analyse this subject later.

In all this analysis, Marx departs from the constituted 'value of the product' and analyses its 'components' (the 'part' of wages, of profit, and the 'part' that *reproduces* constant capital). Now, instead, he describes – continuously correcting Quesnay – some social *relationships* of production, but not only with the Physiocrats' 'classes', but, moreover – and this is essential – he describes the fundamental relationship: between 'capitalist and labourer' (MECW. 31, p. 212). Because the subject is clearly expressed by Marx, our commentary can be very brief.

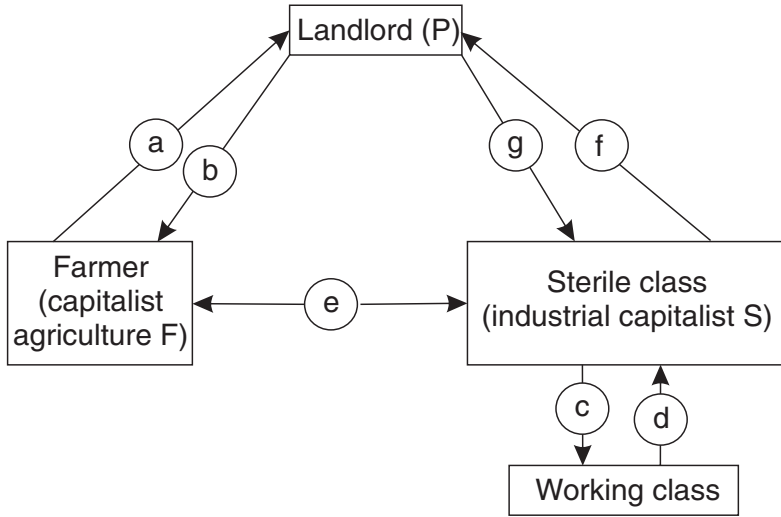


Figure 6.1 Relationships of circulation in Marx’s commentary.

First of all, Marx analyses the relationship between farmer and landlord (*a* and *b* in Figure 6.1). In this relationship, as in the rest, Marx *dislocates* (puts in another place) his reflection. He begins with the realm of circulation of *money* (merely *formal*), to continuously make reference to the level of circulation of *commodities* and the *reproduction* of use value (*real* or *material* level of circulation as a process of reproduction of value):

The one metamorphosis of the commodity, its retransformation (*Rückverwandlung*) from money into commodity, thus in this case expresses at the same time the beginning of its *real* (*wirklich*), not merely *formal*, metamorphosis – the beginning of its retransformation into its own production elements; in this transaction there is at the same time metamorphosis of the capital.

(p. 226)

For that reason, the relationship between farmer (*F* in Marx) and landlord (*P* in Marx), indicated with arrow *a*, is not identical to the inverse relationship, indicated with arrow *b*:

The constant flowing back (*Rückström*) of the money to its starting point expresses here not only the formal conversion or money into commodity and commodity into money [...] but at the same time the continuous reproduction of the commodity by the same producer.

(p. 208)

Indeed, the farmer–landlord relationship (*a*) is a capital–revenue relation (M–C–M’);¹⁰ while the landowner–tenant relationship (*b*) is one of consumer–capital (C–M–C).¹¹

The relationship that Quesnay does not discuss, but which Marx cannot but indicate, since it is essential for him, is established between the industrial capitalist (‘sterile’ for Quesnay) and the labourer (arrows *c* and *d* of Figure 6.1). The capitalist–labourer (arrow *c*) relationship is simply the purchase of the ‘labour’ commodity – although only the ‘labour capacity’ is paid.¹² Of course, the unequal relationship is hidden, otherwise ‘the economic justification (*Rechtfertigung*) of surplus value’ would be spoiled (p. 212). It would be worthwhile to popularize the ‘parable of the labourer that sells his labour’ (pp. 213–18) among the bases of the Latin American labourer and peasant movement.

The labourer–capitalist relationship (arrow *d* of Figure 6.1) is the so-called ‘small circulation’,¹³ and is not difficult to understand.

‘So back to Quesnay,’ exclaims Marx (p. 225), because the French Physiocrat missed the prior relationships (capitalist–labourer), as was logical. Then there are two relationships left: the one between the landlord (P) and the industrial capitalist (S), and the latter with the farmer (F). The relationships between P and S are those of consumer to capital (arrow *f* of Figure 6.1 indicates the sale (in Figure 1.1 it would be C2 → M2, in the syllogism M1–C1–C2–M2) and *g* the purchase (in Figure 1.1 it would be M2 → C2, in the syllogism C1–M1–M2–C2). The capitalist (S) exchanges capital for revenue and obtains profit; the landowner (P) exchanges income for capital and does not receive any profit, but only consumes.

The relationship between the farmer (F) and the industrial capitalist (S) is a capital–capital type of relationship, where one buys raw materials and the other machines (it is barter by kind). Circulation of money is formally much more complex: it multiplies the relationships, but the real or material substance is the circulation of commodities.

In this way, the confrontation with Adam Smith, which had started in Notebook VI (MECW. 30: 376) and of whom Marx says that ‘in fact only took over the inheritance of the Physiocrats and classified and specified more precisely the separate items in the inventory’ (MECW. 31: 240), ends. With this confrontation, instead, Marx has advanced in the theoretical precision of one of fundamental categories of these years: ‘cost of production’, in relation to the problem of ‘reproduction’ – paradoxically, these are questions of the future Book II of *Capital*, and part of Book III,¹⁴ and not of Book I, as it would be logical to suppose.

Although this is not the right place, because the text is of a much superior grade of theoretical development, we must now refer to the most developed diagrams of reproduction ever sketched by Marx. They are located in Notebooks XXII (MECW. 34: 238–40) and XXIII (MECW. 34: 288), and in a letter to Engels dated 6 July 1863 (MECW. 41: 483–7; Figure 6.1 is in MECW. 34: 240), a time at which Marx was writing about accumulation. He organizes the

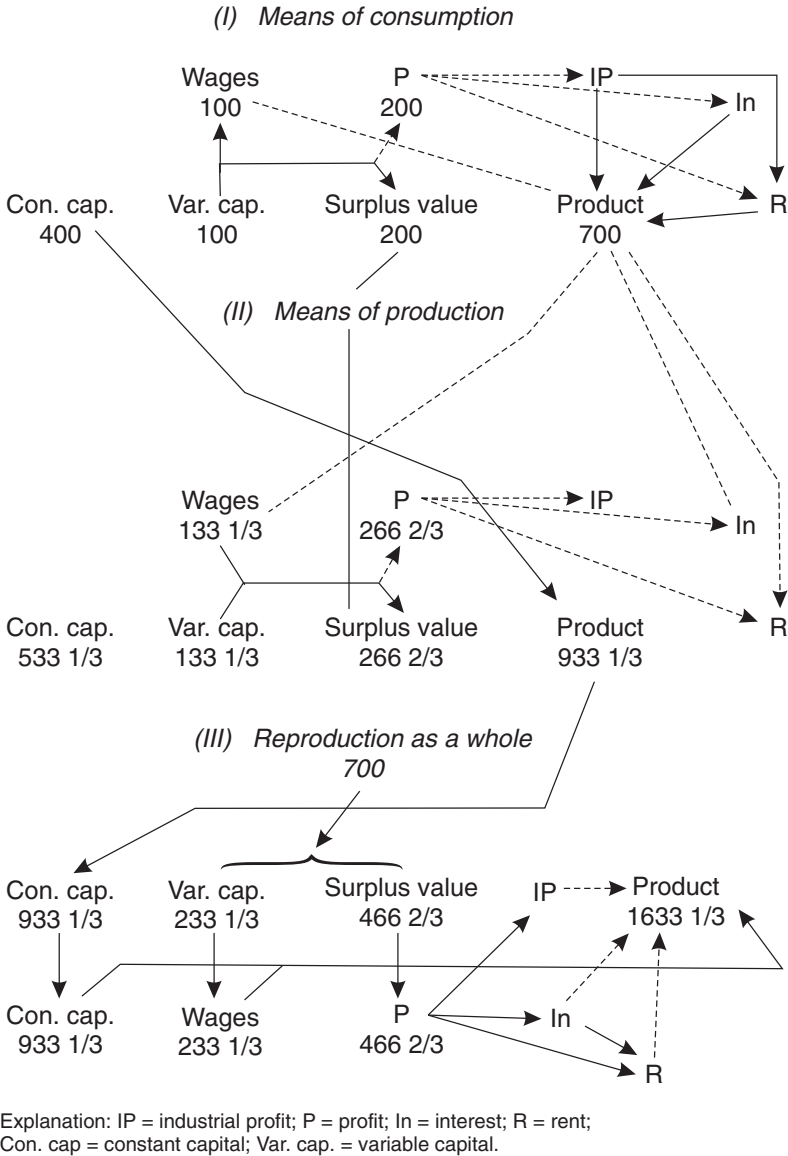


Figure 6.2 Economic table of the reproduction process as a whole.

explanation (Figure 6.2) of the problem of reproduction confronting two capitals: *class I* (means of consumption) and *class II* (means of production), and the sum of both (in *III*). Marx wishes to indicate how capitals are exchanged among them: consumer goods of *category I* (as they are called in the letter to Engels) are purchased by the one that produces means of

production (*category II*); while *I* buys constant capital from *II* (see a summary of the example in MECW. 34: 241–2). In this way, Marx demonstrates that the means of production, fixed capital, ‘passes’ over to the value of product (400 in *class I* and $533\frac{1}{3}$ in *II*); although it adds value to the product, however, it does not create value. Only variable capital produces new value (200 in *I* and $266\frac{2}{3}$ in *II*), this capital is reproduced in the accumulation of the realized value of the product and previously objectified in it by living labour.

7 The theory of rent

Notebooks X–XII, pp. 445–636;
from June to August of 1862
(MECW. 31: 250–578)

It is no longer a question of explaining how it comes about that the price of a commodity yields rent as well as profit, thus *apparently* (*scheinbar*) evading the general law of value (*Gesetz der Werthe*) and by raising its price above its *intrinsic surplus value*, carrying *more than the general rate of profit* for a given capital. The question is why, in the process of equalization of commodities at average prices, this particular commodity does not have to pass on to other commodities so much of its *intrinsic surplus value* that it only yields the *average profit* (*Durchschnittsprofit*), but is able to realize a portion of its own surplus value which forms an excess *over and above* average profit; so that it is possible for a farmer [...] *the private ownership* of land, mines, water, etc. by certain people, which enables them to snatch, intercept and seize the *excess surplus value over above profit* (average profit the rate of profit determined by the general rate of profit).

(p. 271)

First of all, we will comment on why Marx was interested in the subject of rent. It was precisely a matter of explaining a ‘phenomenon’ (on the superficial level) that, according to many, annulled the *law of value*.¹ Thus, Marx wrote to Engels in a letter dated 9 August 1862:

All I have to prove theoretically is the possibility of absolute rent, without infringing the law of value. This is the point round which the theoretical controversy has revolved from the time of the Physiocrats until the present day. Ricardo denies that *possibility*; I maintain it. I likewise maintain that his denial rests on a theoretically false dogma deriving from A. Smith – the supposed identity of cost prices and values of commodities.

(MECW. 41: 403)²

In this case, Marx is interested in defending the ‘law of value’ because what matters is the labour objectified in value, living labour: the *human being itself*. It is a fundamental ethical question. Not even rent is an exception to the law of value that everything (surplus value, value, price and profit) is ultimately

founded on *human living labour*. His inalienable dignity is still the rule. Hence, it was important to derive rent from surplus value, and to build the necessary categories to establish the mediations in order to explain this ‘phenomenon’. Absolute rent by itself would not deserve such an extended treatment, because historically it ‘can disappear’ (p. 326) when the organic composition of capital in agriculture is equal to that of non-agricultural industry. However, it is a good example, as Marx mentions in a letter to Engels dated 2 August 1862 (MECW. 41: 394), to ‘illustrate’ the theory of surplus value, which is the matter in question – now from the perspective of *competition* and of monopoly.

On the other hand, this is the beginning of the confrontation with Ricardo. Finally, with Smith, Marx had approached the whole problematic of reproduction, from production, at the material level, in the relationship of capital–capital. Rent, instead, is a third source of revenue (a capital–revenue relationship), and thus the ‘production cost’ problematic is abandoned to advance to a more *superficial* level, namely, the sphere of circulation, of ‘average profit’, ‘production cost’. Now we shall go from the question of rent in Rodbertus and the ‘Ricardian law’ (sections 7.1 and 7.2), to the question of the ‘cost price’ (7.3), to end with the problem of rent in Ricardo (7.4) and Smith (7.5) – Marx’s continuous interlocutors.

This is the central moment of all the *Manuscripts of 1861–63*. Thanks to Johann Rodbertus (1805–75) (the German Ricardian socialist whose *Soziale Briefe an von Kirchmann, Dritter Brief* (Berlin, 1851) Marx confronts here), as well as thanks to Proudhon and his theory of money, Marx was able to build his theory of value. Now the assiduous scholar in London can, in the middle of anguish and real misery, discover his theory of ‘average profit’ and the ‘price of production’ starting from rent.

7.1 Formulation of a theory of rent through a critical confrontation with Rodbertus (MECW. 31: 250–344)

As in the beginning of *Grundrisse*, where he confronts Proudhon, Marx starts ‘to warm up the machine’; with comings and goings without a fixed destiny. He then ‘enters’ into the question of wages (pp. 250ff.), using categories such as ‘average wages’ and ‘average price’. In agriculture, wages would be lower than in industry – the same as Austria in relation to England. Here Marx raises a deep question: it is not about discovering differential rent by the diverse fertility of the land, but by something deeper and based in *labour*.

Quite apart from the variation in rent according to the fertility of the land, rent as such [...] would already be possible, it could exist, because the average wage of the agricultural labourer is below that of the industrial worker.

To speak of ‘possibility’³ is to look for the *essence*, the fundament (*Grund*) of rent. Just as relative surplus value could be understood from the increase of productive force of capital – and thus eluding the question of being, as absolute surplus value, *non-paid* labour – in the same way, Marx had to define as ‘absolute’ rent, in its possibility, in general, rent as surplus value (non-paid labour), in order to discover subsequent differences of rent based on higher productivity and other ‘natural’ characteristics of the land (differential rent). His first, provisional, solution is then the following:

Here then we already have the possibility (*Möglichkeit*) rent since, *in fact*, the agricultural labourer’s wage does not = the average wage. This is rent would be feasible quite independent of the *price* of the product, which is = to its value.

(p. 252)

For now the argument is incomplete. But we can immediately see the effect that the reading of Rodbertus had on Marx, which suggested to him – although with mistakes – the solution of the problem, accomplished here for the *first time* in his life:

Mr Rodbertus seems to think that competition (*Concurrenz*) brings about a normal profit, or average profit (*Durchschnittsprofit*) [Marx names this concept for the first time in his theoretical life and with consciousness of building a category].

(p. 260)

We enter then into another universe, another ‘phenomenological’ level. We have left behind the nine first Notebooks and have entered into the level of the future Book III of *Capital*: ‘competition’ as the level of abstraction within which many of the essential categories of Marx’s thought will be built *for the first time*. ‘Competition’ was the second part of Marx’s programme, in the treatment of capital ‘in general’.⁴ ‘Competition’ is the movement of the totality of capital within which prices are *levelled, equalized* (*ausgleichen* means to level, make equal), and so, an ‘average level (*Durchschnittsniveau*)’ is produced in all branches of production. Located (thanks to Rodbertus) at this exact level, Marx moves to a *creative discourse* that reminds us of that moment in *Grundrisse* that led him to the discovery of surplus value.⁵ Marx has left behind the question of ‘average wages’ with which he started and uses Rodbertus’ suggestion that the ‘price of commodity A rises above its value’ (p. 260). It does not matter if Marx rejects the argument of his compatriot, the truth is that he has found the ‘problem’ well *situated*. For this reason, Rodbertus deserves a place in history (like Proudhon with the question of money).

First of all, Marx rejects the idea that ‘average price is equal to the *value*, the average profit in a particular sphere therefore also [is equal to] the general

rate of profit' (p. 262), because 'average price' might be different from 'value' (and also 'average profit' and 'surplus value'), and the 'average rate of profit' of a branch or sphere of production may not coincide with the 'general average rate of profit' of all branches.

All this is understood now from 'competition' – the ontological level of construction of the 'world of commodities':⁶

Competition among capitals thus seeks to treat every capital (*Gesamt-capital*) as a share of the total capital and correspondingly to regulate its participation in surplus value and hence also in profit. Competition *plus ou moins* succeeds in this by means of its equalizations (*Ausgleichungen*) [...] Competition achieves this equalization by regulating average prices. These average prices themselves, however, are either above or below the value of the commodity so that no commodity yields a higher rate of profit than any other. It is therefore wrong to say that competition among capitals brings about a general rate of profit by equalizing the price of commodities to their values. On the contrary, it does so by converting the values of the commodities into average prices, in which a part of surplus value is transferred from one commodity to another.

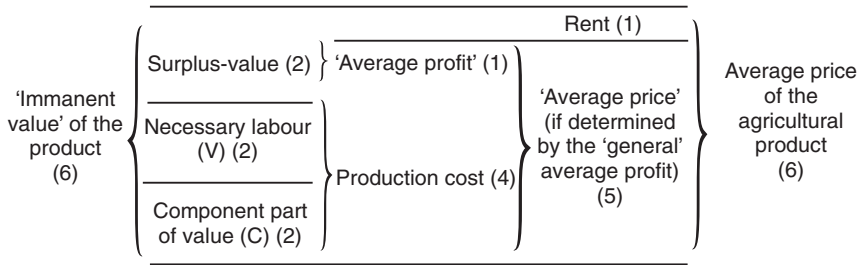
(p. 264)⁷

However, Marx imagines a sphere of production where there is an impediment to 'competition' (p. 264). And because of this reason, the 'average price' – which in this case would be *under* its value – is not respected and increases until it is equal to the *immanent* value (this terminology, of a 'Rodbertian' influence, is new in Marx, it shows a denominative 'indecision': a creative moment in Marx's categorial discourse).

There could be three cases: one in which 'average price' is *superior* to the 'immanent value'; one in which it is *inferior*, and one in which it is *equal*. The case of absolute rent is analogous to the second, in which 'its intrinsic surplus value (*immanenter Mehrwert*) is higher than the surplus value realized in its average price' (p. 270). Let us now reread carefully the text placed at the beginning of this Chapter 7.

There are still two questions left to explain: why is the value of the agricultural product greater than the industrial product? And how is it possible for the agricultural capitalist to realize the excess *over* the 'general average profit' in order to recover all his surplus value, without transferring it to other commodities or branches (see Figure 7.1)?

As for the first issue, Marx has now to prove the opposite of the way he started. If agricultural wages are lower, but have the same organic composition, the product has *less* value (and then rent could be extracted). Now, Marx contends that in agriculture there is a 'lower organic composition of capital', and therefore agricultural products have a higher value than industrial products produced under the same conditions (except for its organic composition):



Explanation: numbers (1), (2), etc., indicate hypothetical amounts of value, with a purely pedagogical purpose. We have respected Marx's names *for the time being*, without anticipating further precisions, and without clarifying his ambiguities.

Figure 7.1 Absolute rent: surplus profit realized over average profit.

One has to prove [Marx writes consciously, about a problem that has not yet been resolved] that agriculture belongs to those particular spheres of production whose *commodities values* are above their *average price*, [...] This point appears⁸ certain to apply to agriculture on an average, because manual labour is still relatively dominant in it and is characteristic of the bourgeois mode of production to develop manufacture more rapidly than agriculture. This is, however, a *historical* difference which can disappear.

(p. 326)

Marx answers the second issue stating that 'the *private ownership* of land, mines, water, etc. by certain people ... enables them to snatch, intercept and seize the *excess surplus value over and above profit* (average profit)' (p. 271). However, it is the farmer or agricultural capitalist who must accomplish 'the excess of their price over their *production costs*' (p. 274),⁹ and who imposes this price thanks to a suspension of competition by means of *monopoly*—founded, of course, on the private property of land:

So the monopoly of landownership enables the landed proprietor to squeeze that part of surplus labour from the capitalist which would form a constant *excess profit*, but those who derive rent from monopoly are mistaken when they imagine that monopoly enables the landed proprietor to force the *price of the commodity above its average price*, to sell the commodity not *above*, but at its value.

(pp. 326–7)

The essential question was then to justify the existence of absolute rent. This is necessary because capital demands before itself the existence of the *poor*;¹⁰ namely, to confront the labourer 'as someone else's property, and make him

into a wage labourer' (p. 278). Capital needs to snatch from peasants their traditional means of survival (and 'land' is the basis for their subsistence):

Its only requirement is that land should *not* be *common property*, that it should confront the working class as condition of production, *not belonging* to it.

(p. 278)

For the industrial capitalist, the landlord is then an additional necessity as the enforcer of the non-possession by living labour of its means of subsistence. It is clear that the 'radical bourgeois' would like to eliminate it and grant property of land to the State, but does not do so because it would be dangerous for 'the other form' of property (p. 278).¹¹ This is a capitalistic way to justify absolute rent. As for differential rent due to the diverse fertility of the land, Ricardo seemed to be right, but was essentially wrong regarding its foundation:

Modified in this way, the proposition is correct. It explains the *existence of rent*, whereas Ricardo only explains the *existence of different rents* and actually does not credit the *ownership of land* with any *economic effect*.

(p. 327)¹²

Other issues discussed in the text can be read without any difficulty of interpretation.

Marx indicates, as a methodological suggestion, that Rodbertus intuitively 'surmises (*ahnt*)' the difference between surplus value and its special forms, but in the question of rent 'he misses the point because, right from the beginning, he is concerned with the explanation of a *particular* phenomenon (*Phänomen*) (ground rent) and not [with] the establishment of a general law' (p. 296). Namely, 'intuition' comes before *concept*; the 'forms of appearance' are phenomena, but it is necessary to discover the 'essence', the general law, by another form of manifestation: absolute rent (phenomenon) from surplus value (essence).

7.2 Methodological digression

We wish to step ahead from Marx's own diachronic historical discourse in order to allow the reader of *Manuscripts of 1861–63* an accurate, precise, clear epistemological attention. Usually, no importance is given to the 'name' (denomination) of categories, and this is a mistake made even by the editors of MEGA II, 3 (who in the index to Volume 7 sometimes mislead the readers with their references). Maybe the best example of this is the category whose 'concept' or 'semantic content' is the value expressed in the sum of 'production costs' or 'cost price' (the component parts of the constant capital plus variable capital) and average profit. In *Capital* it will be called 'price of

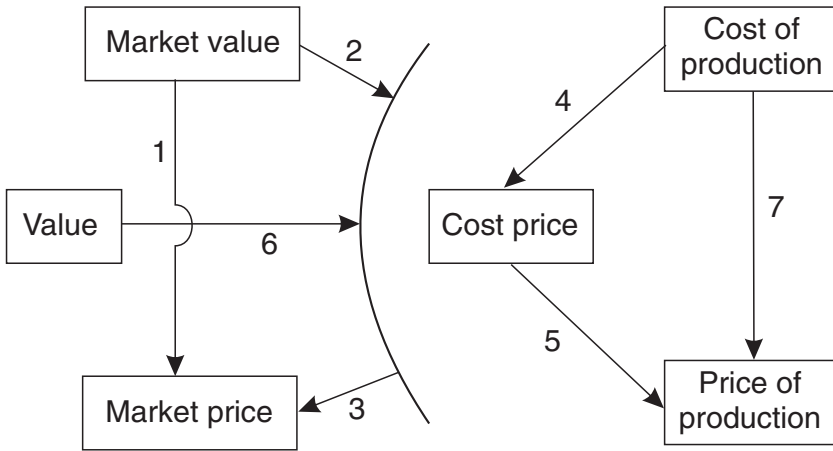


Figure 7.2 Possible relations among some new categories.

production' (*Produktionspreiss* in these *Manuscripts*).¹³ Marx hesitated, however; he was unsure for a long time about of the 'names' of his categories. This is not a terminological question, but a semantic problem. In fact, at the beginning he has no 'conceptual clarity', namely, he has not yet clearly separated the noetic content, and thus has still not decided what 'name' to adopt for each moment of the 'concept' or *precise* (from *precidere* in Latin: to distinguish, cut, sever) category. When the final term or word names a clearly specified concept, only at this moment, a category has finally been constructed. In fact, 'price of production' appears for the first time in Notebook XV (our Chapter 10), explicitly separated from 'cost price' (arrow 5 of Figure 7.2):

Profit – and therefore the difference between price of production and cost price – appears to him *as a surplus over the cost price* only as regards his own commodity.

(MECW. 33: 37)¹⁴

Only at this moment is 'price of production' distinguished *precisely* from 'production cost'. Furthermore, names of new categories appear, such as 'market value', 'market price', in addition to the already analysed 'average profit'.

The denomination 'production cost' has been discussed from the beginning of these *Manuscripts*. The passage (arrow 4) to 'cost price' is performed now only in Notebook XI (MECW. 31: 402),¹⁵ although its *concept* has been enunciated some time before:

Here the *average price* – i.e. that [formed] by the production cost + the average profit – coincides with the market price of the product.

(MECW. 31: 373)

In light of such ‘epistemological attention’, we shall see the new categories which appear in these pages:

In *competition* there are two distinct movements towards equalization. Capitals *within* the same sphere of production equalize the prices of the commodities produced *within* this sphere to the same *market price* [...] The *average market price* value should *equal* the *value* of the commodity, [were] it not for the equalization between *different* spheres of production. As between these different spheres, competition equalizes the values to the *average prices*, in so far as the reciprocal interaction of the capitals is not hampered by a third element – landownership, etc.

(MECW. 31: 356)

As one can see, the new category ‘market price’ – which appeared for the first time long before¹⁶ – is slowly being distinguished from the much broader concept of ‘average price’¹⁷ at a more superficial level, as a more concrete price, and within the same branch. He has not yet clearly discovered the concept of ‘market value’, but a few pages later we see it differentiated:

This *common* value is the *market value* of these commodities, the value at which they appear on the market. Expressed in money, this market value is the *market price* [...] The actual market price is now above, now below this market value and coincides with it only by chance [...] it can be said that the average of the actual market price *is* the *market price* which represents *the market value*.

(MECW. 31: 429)

So then, the fundamental relation of ‘market value’ with respect to ‘market price’ (arrow 6 of Figure 7.2) is one of many possibilities among these newly constructed categories. We have thus indicated only a few of the new categories in order to assist with the reading. Let us now return to our commentary.

7.3 The ‘Ricardian law of rent’ and its history

(MECW. 31: 344–86)

Marx starts by confronting James Anderson’s (pp. 344ff.) theory, especially in his work *Essays relating to agricultural and rural affairs* (Volumes I to III, Edinburgh, 1775–96), but also considers other works regarding the corn crisis. Our philosopher and economist comments:

With a correct conception of rent, the first point to arise was of course that it does not originate from the land but from the *product of agriculture*, that is, from labour, from the *price of the product of labour* [...] from the *value* of the agricultural product, from the labour applied to the land, not from the land.

(p. 372)

Marx says that ‘what Anderson calls *value of the whole produce* is evidently nothing other than his conception of the market price at which the product is sold’ (p. 373). And he concludes:

With Anderson, rent = the excess of the *market price* of the product over its *average price*.

(p. 373)

In one of his terms (‘market price’), Marx already has more clarity than in his initial descriptions – see in section 7.1 concepts such as ‘immanent value’ in relation to ‘average price’ – however, there is still an ambiguous ‘average price’ (which later on shall be ‘price of production’).

If Marx has a positive judgement of Anderson, in contrast he is too negative, too harsh toward Thomas Robert Malthus, in this case towards his book *An inquiry into the nature and progress of rent* (London, 1815). Marx compared Malthus to Ricardo, who according to Marx was serious, scientific and honest, in a famous epistemological passage:

When a man seeks to *accommodate* science to a viewpoint which is derived not from science itself (however erroneous it may be) but from *outside*, from *alien, external interests*, then I call him ‘*base*’.

(p. 349)

There are four excellent pages (pp. 346–50) which show his disgust with Malthus and his great respect for Ricardo.

A confrontation with Wilhelm G.F. Roscher (1817–94), in his *Grundlage der Nationalökonomie* (Stuttgart, 1858), allows Marx to raise the point that, in many cases, theories are appearances under which ‘[... an] interest struggle (*Interessenkampf*)’ hides under their surface (p. 351). Marx is very much aware of the identification of a scholar with a class faction: Malthus or Roscher with the landlords’ oligarchy; Ricardo with industrial capitalism. If he had to choose, Marx would favour the latter.

Once again Marx criticizes Rodbertus and shows that in fact he has not understood Ricardo. The latter thus defined rent:

Rent is that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil [...] When, in the progress of society, land of the second degree of fertility is taken into cultivation, rent immediately commences on that of the first quality, and the amount of that rent will depend on the difference in the quality of these two portions of land.

(Ricardo 1984: 33–5)

And Marx objects:

Ricardo abstracts from the *question of absolute rent* which he *denies on theoretical grounds* because he starts out from the *false* assumption that *if the value of commodities is determined by labour time, the average prices of commodities must equal their values* (which is why he comes to the wrong practical conclusion), that [...] *If values of commodities and average prices of commodities were identical then absolute rent [...]* If, on the other hand, one knows that average prices and values are not identical, that the average price of a commodity may be either = to its value or > or <, then the question, the problem itself, disappears and with it also the *hypotheses* for its solution.

(pp. 358–60)

‘Average price’ is here what he later calls ‘price of production’, and for the time being, ‘cost price’ (if it includes ‘average profit’); but it can also be ‘market price’ (if it includes rent). Thus it is an ambiguous concept which shows Marx elaborating or constructing historically, genetically, progressively. When a few pages later he once again criticizes the German pre-industrial Pomeranian (Rodbertus), who is not able to understand Smith or Ricardo because ‘Ricardo’s whole conception is only appropriate to the presupposition that the capitalist mode of production is the predominant one’ (p. 382), we also understand Roscher’s position when he writes that ‘nature as such has value’ (p. 361). This is the whole issue of the ‘value of land’ (*Bodenwerth*).¹⁸

Let us skip a few pages and examine ‘a recondite mystery (*verborgnes Mysterium*)’ (Notebook XV; MECW. 32: 486):

The form of *revenue* and the sources of *revenue* are the *most fetishistic* expression of the relations of capitalist production. It is their form of existence as it appears on the surface, divorced from the hidden connections and the intermediate connecting links. Thus the *land* becomes the source of rent, *capital* the source of *profit*, and labour the source of wages.’

(p. 449)

In this formula, in which rent, a part of surplus value, is *represented in relation to a particular natural element, independent of human labour*, not only the nature of surplus value is completely obliterated, because the nature of value itself is obliterated; but, just as the source of rent appears to be land, so now *profit* itself appears to be due to *capital as a particular material instrument of production*.

(p. 485)

Marx’s reflection on this fetishization had already started in 1844 and is also found in the *Grundrisse*. In Notebook XI we read:

By ‘*original*’ powers of the land we understand here those which it possesses independently of the action of human industry, although, on the other hand, the powers given to it by human industry become just as much its *original* powers as those given to it by the process of nature.

(p. 466)

In Notebook XIV we find the best definition of the subject before *Capital*:

The value of land is nothing but the price which is paid for capitalized rent.

(MECW. 32: 299)

In other words, land *per se* (like human labour *per se*, for other reasons) *has no value*. But when it has been acquired or subsumed by capital as the non-property of living labour, it receives a rent. As a future payment of a rent – namely, of a portion of surplus value distributed in the price of the product (over and above ‘production costs’ plus ‘average profit’) – an exchange value is granted to it, which we could call extrinsic (‘fictitious’). If there were no rent, as in the case of fixed capital, then the value invested in the purchase of land would pass like other portions aliquot parts to the value of product; and this would be so, not because land has a value, but because the land has been purchased with objectified labour, money. ‘Labour capacity’ and the ‘exclusivity’ on the ownership of land are paid, ‘because it is a reservoir containing the *use values*, which are to be got hold of through industry’ (MECW. 31: 466). Such a payment can be recovered, either in rent or in the ‘component portion of corresponding value’ (see Figure 5.2) where the constant capital originally invested ‘reappears’, is *reproduced* in the product.

In these pages, Marx approaches three more issues: the average price of wheat during a certain historical period (pp. 362ff.); the difference between absolute and differential rent in Thomas Hopkins (in his book *Labour Defended against the Claims of Capital*, London, 1825), who deserved a special study due to his social position, (pp. 365ff.); and the ‘costs of breaking up new ground’ of soil (pp. 369ff.), which become comprehensible after what has been commented.

7.4 ‘Cost price’ in Ricardo and Smith (MECW. 31: 387–457)

Before focusing on this problem, let us make several methodological remarks. Marx points out:

Ricardo’s method is as follows: he begins with the determination of the magnitude of the value of the commodity by labour time and then *examines* whether the other economic relations *contradict* this determination of value or to what extent they modify it. This inadequacy not only shows itself in the method of presentation (in a formal sense) but leads to

erroneous results because it omits some essential links and *directly* seeks to prove the congruity of the economic categories with one another.
(p. 390)

One can thus see that though Ricardo is accused of being too abstract, one would be justified in accusing him of the opposite: lack of the power of abstraction, inability, when dealing with the values of commodities, to forget profits, a *fact* which confronts him as a result of competition.
(p. 416)

Thus, Marx criticizes classical economists for not having constructed all the required categories in order not to pass directly from value to market price, or from value to cost price (which are always identified). But this mistake is ideologically founded:

Since Smith transports himself right into the midst of competition, he immediately reasons and argues with the peculiar logic of the capitalist caught up in this sphere.
(p. 441)

From the 'bourgeois perspective', as he had written before, from the 'sphere (*Sphäre*) of circulation, or the totality of capitalist understanding, from the everyday experience of 'the agent of capitalistic production [...], things appear (*erscheinen*) to and are thought of by the latter, as they influence him in practice (*Praxis*)' (p. 442), from the 'naïveties (*Naivität*)' of the common sense of dominant system; its mistakes and confusions are ideologically necessary; its 'rationality' is coherent and thus its implications are apparently methodological.

Due to these logical and existential limitations (namely, simply for being a capitalist), Ricardo makes mistakes or confusions which, setting aside the first four mentioned by Marx regarding rent,¹⁹ are as follows: insufficient form of determining value; confusion between 'absolute' and 'relative' surplus value; identification of constant capital with fixed capital, and variable capital with circulating capital, and confusion between cost price with value, which is a mistake in considering the process of forming market value and cost price. Smith, on the other hand, confuses value with cost price; for Smith, the former is constituted from the sources of revenue – from competition – and not from labour, from production. We must point out that Marx's critique is systematic: in the case of Ricardo, it is global and Marx analyses in detail the most relevant passages of Ricardo's *Principles of Political Economy and Taxation*; in the case of Smith, he does the same with *Origin of the Wealth of Nations*, from Chapter VI to XI in Notebook I. Since we cannot stop to comment on each item – although it should be done – we shall discuss only a few essential points to help the reader read Marx's text directly.

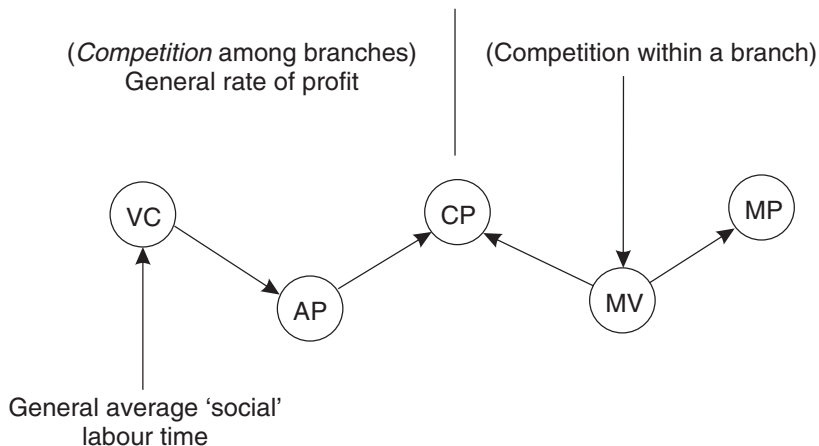


Figure 7.3 The formation process of categories and the necessary mediations.

Against the mercantilists, Smith, Ricardo and Marx assert that profit is not obtained by selling commodities above their value; as the Physiocrats believe, commodities are sold at their value. At a first level of abstraction, of capital *in general* (as in the *Grundrisse*), Marx affirmed the same. Now, on the contrary, and hereafter we shall speak at the level of denominations (names), concepts and categories just as they are written in this Notebook XI, Marx will say that average prices and values are not identical, but ‘the average price of a commodity can be *equal, higher or lower* than its value’ (p. 360). In other words, he affirmed that the ‘value of a commodity’ (VC), or the ‘natural price’ of the classics, is not equivalent to the ‘cost price’ (CP); but, in addition, the latter is also not equal to the ‘market price’ (MP) (see Figure 7.3). All these apparent contradictions are necessary to demonstrate how surplus value is distributed among the various moments of the process until the market price of the individual commodity is concretely determined (as a result of supply and demand; an aspect which Marx does not discuss here because it was to be the object of special treatment in the book on *competition* in the concrete, as the second book after the book on capital in general).

First, the determination of value is always by labour time (LT); on this point Ricardo is correct. But he is mistaken because he cannot ‘formally’ define this determination by the ‘social’ nature of labour:

Ricardo does not examine the form – the peculiar character of labour [...].

(p. 389)

On the other hand, Marx discovers that the determination of ‘market value’ (MV) is made from the total mass of socially determined labour of a particular sphere of production:

Thus competition [...] brings it about here that the value of each individual commodity in a particular sphere of production is determined by the *total mass of social labour time* required by the *total mass of the commodities of this particular sphere of social production*.

(p. 430)

In this case, the value of commodities is determined from the 'total mass of social labour' compared with the 'total mass of commodities in this particular sphere of production', and not directly by the individual labour time.

Second, Marx makes the passage from the 'value of a commodity' (VC) to its 'cost price' (CP), explaining the function of competition *in general*. In fact, 'the transformation of the value of commodities into cost price' (p. 419) is achieved by determining the 'average profit' (AP) (levelled by competition). So, the category of average profit is the required mediation to pass from value to cost price. Furthermore, the foregoing allows Marx to assert, on the one hand, that the totality of surplus value is identical as mass to profit but, on the other hand, in a certain historical moment (e.g. is the average rate of profit in a peripheral country a world or a national average?) it can be higher (with extraordinary profit), equal, or lower (with surplus value transference) than the average profit. This allows Marx to explain the transfer of surplus value (VC → CP) and it allows us later to propose some hypothesis on the dependency issue (VC → CP: the transfer of surplus value to the 'centre', if VC is the value of commodities of an underdeveloped peripheral country).

Third, Marx passes from 'cost price' to 'market price'. As we have seen, in this case, and due to the mediation of the category of 'market value', competition does not level the average profit individually, but determines the value of commodities from its whole aggregate (total mass) amount compared with the total mass of social labour in the specific branch of production:

Competition creates the *market value*, that is, *the same value* for commodities of the same sphere of production.

(p. 431)

Under these circumstances, when the cost price is lower than the market value of the agricultural product ($CP < MV$), the latter may achieve a market price which includes rent ($MP > CP$, and thus $MV = MP = CP + \text{rent}$). Marx thus manages to affirm that the agricultural product is sold at its value ($MV = MP$); and that, however, due to the low organic composition of agricultural production, its market value is greater than the general average price or cost price ($MV > CP$). And because the market value of the agricultural product is above the general cost price, this is what makes absolute rent possible as 'extraordinary profit' (absolute rent = $MV - CP$).

Likewise, in this case, one could think of a 'peripheral market value' of undeveloped countries (analogous to a particular production sphere), and

also show how the transfer of surplus value is possible, because its particular market price is greater than the international cost price.

We believe that with these reflections we have constructed a minimum theoretical framework to be able to read now Marx's critical confrontation with Ricardo and Smith.

7.5 Rent in Ricardo and Smith (MECW. 31: 457–578)

We shall exclude from this section pp. 470 to 521, the end of Notebook XI and beginning of XII, about the 'differential rent tables', which we shall explain in section 7.6. Concerning its content, Marx analyses here the question of rent in both classics. For the sake of our reading, it must be emphasized that this is one of the best methodological examples, or the place where we can discover the *epistemological status* of these ten Notebooks. Here we see that they are not a *history* – because if this were the case they should describe each author's position, and this is not done systematically; neither are they a theory of surplus value – because, as we shall see, this issue is hardly ever mentioned, although there is always an indirect relation. They are in fact a critical *confrontation* with the theories of Marx's opponents. Furthermore, the purpose of this critical confrontation is not to exercise only certain *initial* hypothesis, but in the confrontational critical process, Marx keeps discovering and building *new* categories, keeps developing concepts, and thus they become more complex, profound, different hypotheses. Thus there is progress, not only in the analysis but in the starting point as well: in the *framework* or *hypothetical categorial system* from which the critical confrontation is performed. As we have seen in previous sections, Marx now has *new* categories; now it is time to use them. In other words, he has new questions. Marx's theoretical production is appearing genetically in the confrontational critical progressive process.

The best example of the foregoing is the case of the very important category, the concept which comprehends the sum of 'production cost' plus 'average profit'. Until this moment he had named it 'cost price'. But in a dense page against Smith, Marx writes:

The sufficient price is that price which is required for the commodity to appear on the market, and therefore to be produced, thus it is the *price of production* of the commodity. For the price which is required for the *supply* of the commodity, the price which is required for it to come into existence at all, to appear (*erscheinen*) as a commodity on the market, is of course its *price of production or cost price*. That [is] *sine qua non* of the existence (*Dasein*) of commodity.

(p. 559)

Here we see doubt, a hesitancy in the denomination, the naming process. A few lines below, Marx once again names the same concept with the two

denominations – as we have already quoted in section 7.2 – but later on he forgets the name, ‘price of production’, which will only appear again in Notebook XV. Namely, Marx keeps changing the conceptualization and denomination; both processes are not simultaneous, but form part of the progress in the ‘constitution’ of a category.

This critical confrontation against Ricardo and Smith is carried out from a fundamental hypothesis:

The whole *blunder* originates in the confusion of cost price with value.
(p. 465)

Evidently *confusing* both concepts leads to other mistakes, which are their corollary: cost price can no longer be lower than market price ($CP < MP$); the value of commodity cannot be equal to market price ($VC = MP$). When equalizing the value of commodity with cost price ($VC = CP$ or $CP = MP$), there is no possibility for absolute rent, which arises from their inequality (VC or $MP > CP$). Marx’s rich pages, of which we shall only describe the relevant lines, can be fully understood from this simple categorial perspective.

First of all, Marx shows that Ricardo falls into an insoluble contradiction: he has either to deny that the determination of value is made from labour time, or deny absolute rent. In order to sustain the first – against Smith – he eliminates absolute rent, but falls, on the other hand, into a new contradiction, when he gives a value to the land or mines (and not *dynámei*: in potency), with which he destroys the ‘law of value’ he intended to defend.

In these pages (pp. 457–70), it is first demonstrated that England, unlike Germany, is ‘in this respect ... the most revolutionary country in the world’ (p. 458); namely, the capitalist country that has discovered how to base all exploitation from capital. Taking as a rational starting point the occupation of land – without prior ownership²⁰ – in the colonies, and transferring this ‘to the course of World History, they took the capitalist mode of production as a prius for agriculture in general’ (p. 460). The English people do not have to struggle as much as the peoples of the continent, against ‘traditional relationships’ that hinder the ‘modern property of land’. Since there is an abundance of capital, and because Ricardo does not distinguish property from monopoly, he only discovers differential rent; on the *worst* land, and presupposing that value is equal to cost price ($VC = CP$), no rent would be paid (p. 463). While on the *best* land, when the value of product is lower, there would be a place for rent ($VC < CP = VC + \text{differential rent}$). Marx, on the other hand, explains this fact in a different way:

All commodities whose value, in accordance with this *organic* composition, is *above* the cost price, thereby show that [the labour expended on them is] *relatively* less productive.

(p. 464)

Now then, to Marx, as we have seen, the value of agricultural products is greater than the cost price ($VC > CP$); with that he can also explain absolute rent. Indeed, when equalizing value with cost price, Ricardo cannot obtain absolute rent except by adding a value over the product's value: the product would sell above its value, which is the same as to suppose that 'the value of commodity would therefore not be determined by the quantity of labour contained in it' (p. 463).²¹ That is, the different organic composition of agricultural capital as a special sphere makes absolute rent possible, and the different fertilities of the land make possible differential rent. Competition cannot level the agricultural market price because the landlords own a monopoly of the land – a fact that Ricardo forgot to include in his reflection. All this has been already clarified in section 7.1. and the no-value of land in 7.3 (now discussed by Marx on pp. 465–9).

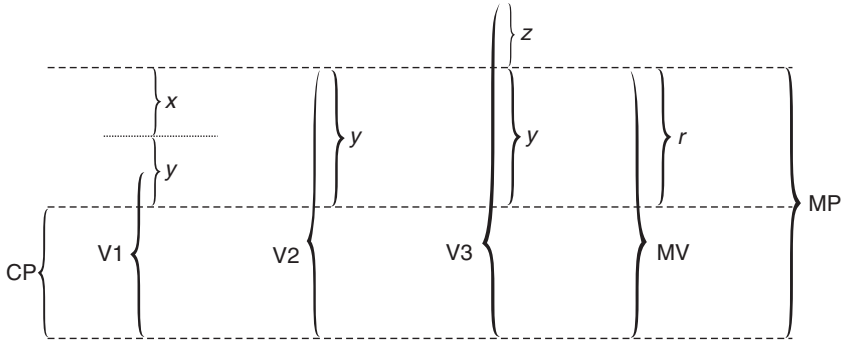
When reconsidering the matter, Marx shows again that Ricardo has forgotten property as a fundamental determinant of rent (pp. 521ff.). In order for rent to exist, the land has to be 'limited' (as the Hegelian 'entity'),²² 'appropriated', with a determinate degree of 'fertility' (although absolute fertility cannot be missed, on which *absolute* rent depends) and of location in 'space' (the question of a faraway, 'more distant' (*fernerer*) area is again a suggestion for the dependency question) (p. 524).

Ricardo is correct that differential rent does not increase the price (of wheat, for example), because the agricultural market price as a global sphere of production is equalized by competition (and the different differential rents absorb the excess of the lands with the greater productivity or lower value of their products). But Ricardo makes a mistake, because absolute rent by itself increases the market price, because without absolute rent the market price would be less: $MP = Cc + w + P' + \text{rent} > CP$.²³ If no rent were paid, the price would be equal to the cost price; therefore absolute rent increases the market price.

Another confusion consists in identifying 'natural price' with market value. Actually, the 'natural price' is the cost price (pp. 529ff.).

By the same token, and returning to the question of the organic composition, Marx shows that Ricardo is correct about the causality in case D (when 'only the constant capital falls; the variable capital remains the same' (p. 537)). Marx concludes that, at any rate, within agriculture, its products have a higher value 'than its cost price [... because] the composition of the capital employed on it is lower than the *average composition* of the capital employed in non-agricultural industry' (p. 541), in the case of the absolute rent. In the case of the differential rent, competition within the special sphere of agriculture equalizes the market price; as fertility *increases*, the rent rises; as the fertility *declines*, rent is reduced. With absolute rent, the gap between the product's real or individual value and the market price increases. Marx begins then to develop a new concept: 'individual value (*individueller Wert*)' (for example, see the tables on p. 536) (see Figure 7.4).

Marx had already written:



Explanation: CP = cost of production; V1 = indirect value on the best land; V3 = individual value on the worst land; MV = market value; MP = market price; x = differential rent; y = absolute rent; r = total rent (= x + y); z = negative differential rent.

Figure 7.4 Differential rent.

If the market value is < than the individual value [V3 of Figure 7.4], but greater than the cost price, the differential rent is a negative quantity, hence the total rent = the absolute rent + this negative differential rent, i.e. minus the excess of the individual value over the market value.

(p. 508)

After what we have discussed, there are not many novelties in Marx's critique of Smith, although methodologically we can indicate that now Marx is found categorially with more equipment than in the previous critical confrontation (of our Chapter 5). Smith decomposed the commodity value into 'wages, profit and rent (leaving aside the constant capital)' (p. 552). But Smith quickly lets himself be persuaded by the contrary view which identifies *value* and *natural price* ('the average price [...] or cost price'), determining the second by the sum of wages, profit and rent. The reading's difficulty is in being able to compare Smith's nomenclature with Marx's, and some (pp. 560–1) are proverbial in this sense. Simplifying, we can say that Marx criticizes Smith for lack of precision in the use of categories, his ambiguity, but also a semantic slip (the concept's change of content). Smith's 'natural price' would be approximately Marx's 'market price' (when including rent); the 'sufficient price' would be approximately the 'cost price' or the 'price of production' – named here explicitly; the 'ordinary price', something that fluctuates in its content.

Smith is correct when he says that 'rent is *monopoly price* [...] since it is only the intervention of landed property which enables the product to be sold for more than the *cost price*, to be sold at its value' (p. 552). But, actually, Smith does not know that the agricultural product sells for its value; he believes the opposite:

[To Smith] rent arises from the *demand* being greater than the supply at the *sufficient price* which *only includes wages and profits, but no rent* [...] Adam Smith's mistake is that he fails to recognize that [landed] property sells [products] *above* the sufficient price, if it sells [them] at their *value*.
(p. 568)

Marx exclaims, when evaluating his critical confrontation:

In this fantastic fashion, the profoundest concepts intermingle with the craziest notions, such as the common mind (*gemeines Bewusstsein*) forms in an abstract manner from the phenomena (*Erscheinungen*) of competition.
(p. 556)

7.6 The 'rent tables' (MECW. 31: 470–521)

First of all, let us make a short methodological reflection about the diagrams or tables that Marx sketched in his studies, and that have led to false interpretations: all the polemics between Bulgakov, Tugan-Baranovski and Lenin, to which we must add Bukharin, Rosa Luxemburg, Kautsky, Grossmann or Otto Bauer, who also circle around this question. Marx explains:

Now for a consideration of the tables. They show how the general law explains a great multiplicity of combinations, while Ricardo, because he had a false conception of the general law of rent, perceived only one side of differential rent and therefore wanted to reduce the great multiplicity of phenomena (*Erscheinung*) to *one single case* by means of forcible abstraction. The tables are not intended to show all the combinations but only those which are most important, particularly for our specific purpose.
(p. 487)

In other words, the comparative tables of diverse *logical* possibilities of components of the phenomenon under study, do not have as a goal a complete description of the phenomena's *reality*, but only to observe the behaviour of some component parts. Its intention is logical–pedagogical, structural–expositive, abstract and not concrete. To this respect, Rosa Luxemburg is correct that the question of reproduction or accumulation and their corresponding tables 'have nothing to do with mathematical formulas [that express objective reality] and can be perfectly presented and comprehended without the need of them. When Marx [...] employs mathematical tables [...], he does so simply to facilitate and to clarify the main points of the analysis (1967: 368).²⁴

If we take Marx's tables' *abstractions* as real and *concrete* considerations – and not in reference to 'our specific purpose (*unser spezifischer Zweck*)' (p. 487) – one could arrive at completely wild conclusions. The tables are always

situated at a 'general' level, 'abstract', 'essential'; while the *concrete* analysis is situated in the complex contour of capital 'in its [historical] reality'. The tables express '*essential* relationships', abstract:

In considering the essential (*wesentlich*) relations of the capitalist production [...] therefore, it can be assumed [...] since this tends to occur more and more, is the principal purpose, and the productive powers of labour are developed to the highest point in this case alone [...] that the whole world of commodities, all the spheres of material production – the production of material wealth – have been subjected (either formally or really) to the capitalist mode of production.

(MECW. 34: 143)

This 'assumption' or 'supposition' is the analytical moment of abstraction, in-existent *as such* (as abstract) in reality; but really existent *as* 'an' aspect of reality. This supposition is considered in the reproduction tables of the *Grundrisse* (pp. 376–86 and 434–88) or in the *Manuscripts of 1861–63* (*supra* sections 5.3 and 6.4) and also in *Capital* (Volume 2, Part 3, Chapter 21).²⁵

Going deeper into our commentary, it is necessary to comprehend the difference between 'total amount' of rent and 'rental rate'. The total amount can increase, but not the rate; the rate can rise or decrease and not the total amount. The 'rate' is a proportion between the commodity value and the cost price:

The *rate of rent* would fall, because the difference between the cost price and the value of the commodity would have decreased [...] the *relationship between value and cost price* [is], the only relationship that determines the *rate of rent*.

(pp. 471–2)

Marx then proposes some logical, abstract examples (from *A* to *E*), in which the factors that could cause a change in absolute or differential rent will vary. These factors are:

Capital, total value, total product, market value per ton, individual value, differential value, cost price, absolute rent, absolute rent in tons, differential rent, differential rent in tons, total rent, and then the totals of all classes in each table.

(p. 480)

In a second group of tables, while trying to discover the logic of the relation between the 'organic composition' and rent, Marx had to introduce new factors: constant capital, variable capital, surplus value, the rate of profit and the rate of surplus value.

Here the *rate of rent* rose because the *rate of profit* fell. Now did it fall because there was a *change* in the organic composition of the capital?
(p. 492)

To follow Marx's discussion step by step would take too long – and not be very useful, because after the explanations given above, the reading is now possible. We will only indicate the main lines of discussion. First of all, the construction itself of the tables with their various factors (pp. 472ff.) is explained. Second, there is an interesting discussion of the question about how the price of *each* commodity is determined, and the surplus value contained in it (pp. 480–4). Third, the relationship between the individual value, the cost price, and the market value of commodities is explained, including a possible example of an individual value greater than its market price, as we have seen:

If *above* the market value, the difference between the market value and their cost price [*a* of Figure 7.4] is *smaller* than the difference between their individual value [V3] and their cost price. But as the absolute rent = the difference between their individual value and their cost price, the market value cannot, in this case, yield the *entire absolute rent* for these products.

(p. 485)

In fourth place, the possibility of a decreasing productivity of agriculture is discussed, against Ricardo (pp. 489ff.). Next, the variations in the rate of rent are analysed in relation to the organic composition, already discussed here. Finally, the variation of the relation between total rent and market value is discussed (pp. 504ff.); there is a list of precise definitions and possible relations among them, already referred to herein:

The *actual rent* = the difference between market value and cost price.
The *absolute rent* = the difference between individual value and cost price.
The *differential rent* = the difference between market value and individual value. The actual or *total rent* = the absolute rent + the differential rent.
(p. 508)

This allows Marx to formulate some very clear equations:

We shall call the absolute rent AR, the differential rent DR, the total rent TR, the market value MV, the individual value IV and the cost price CP. We then have the following equations:

$$1 \quad AR = IV - CP = y$$

$$2 \quad DR = MV - IV = x$$

$$3 \quad TR = AR + DR = MV - IV + (IV - CP) = y + x = MV - CP$$

(p. 508)

After these fundamental equations, Marx analyses several possibilities, not discussed here since they are easy to decipher.

In this way, Marx has concluded a central moment of these *Manuscripts of 1861–63*, maybe the most important creative moment, and all since the moment in which, when criticizing Rodbertus, he discovered the meaning of ‘average profit’, upon which he could build the category ‘cost price’ – without complete clarity yet on the ‘price of production’ – and ‘market price’.²⁶

8 Surplus value, profit, accumulation and crisis in Ricardo

Notebooks XII and XIII, pp. 636–752;
between August and September of 1862
(MECW. 32: 9–208)

When speaking of the *destruction of capital* through crises, one must distinguish two factors. In so far as the reproduction process is checked and the labour process is restricted or in some instances is completely stopped, *real capital* is destroyed. Machinery which is not used is not capital. Labour which is not exploited is equivalent to lost production. Raw material which lies unused is no capital. Buildings (also newly built machinery) which are either unused or remain unfinished, commodities which rot in warehouses – all this is destruction of capital. All this means that the process of reproduction is checked and that the *existing* means of production are not really used as means of production, are not put into operation. Thus their use value and their exchange value go to the devil. Secondly, however, *the destruction of capital* through crises means the *depreciation of values* which prevents them from later renewing their reproduction process as capital on the same scale.

(p. 127)

In this chapter we shall return to the subject abandoned in section 5.2, where Marx studied the question of the surplus value in Smith. This shows that these books are not a history and not even ‘theories of surplus value’. They are *critical confrontations* around the subject of surplus value (and sometimes the distance from this subject is very far). Now we explicitly analyse Ricardo’s theory, but here from a much more complex categorial perspective than in the beginning.

8.1 Surplus value and profit (MECW. 32: 9–59)

When dealing with the question of profit and wages, Ricardo never paid attention to constant capital – the ‘fourth part’ that Smith also ignored (remember section 5.3):

To *this extent*, therefore, he considers *surplus value* and *not profit*, hence it is possible to speak of his theory of surplus value. On the other hand,

however, he thinks that he is dealing with profit as such, and in fact views which are based on the assumption of profit and not of surplus value, constantly creep in. Where he correctly sets forth the laws of surplus value, he distorts them by immediately expressing them as laws of profit. On the other hand, he seeks to present the laws of profit directly, without the intermediate links, as laws of surplus value.

(p. 10)

All these confusions follow from the fact that 'nowhere does Ricardo consider *surplus value* separately and independently from its particular forms – profit (interest) and rent [...] Hence his confusion of *value* with *cost price*, his wrong theory of rent, his erroneous laws relating to the causes of the rise and fall in the rate of profit, etc.' (p. 9).

To speak about surplus value in Ricardo is, really, to talk about profit, and only guesses, casually, when the invested capital is only variable capital, because in this case surplus value and profit are identical (because they express the relationship of wages and not-paid surplus labour).

Marx analyses two questions: the aforementioned confusion between surplus value, profit and rent (pp. 10ff.), and the question of the surplus value in itself (pp. 32ff.).

Concerning the relationship of surplus value to profit, the whole problem lies in having ignored the constant capital. For this reason:

He furthermore overlooks the fact that the rate of profit depends on the *amount* of surplus value, and by no means on the *rate of surplus value* [...] the *amount* of surplus value depends on the organic composition of the capital.

(p. 12)

All this, in principle, Marx had already clearly discovered in *Grundrisse*.¹ Surplus value, we already know, is determined by the relationship established between the 'necessary working time' and the not-paid 'surplus time labour' (the variable capital and surplus labour relationship). Profit, on the other hand, depends of the relationship between 'the *total quantity of labour employed* (which includes constant capital) *by the capital of the whole class of capitalists and on the proportional quantity of unpaid labour employed*' (p. 11). Because Ricardo does not consider constant capital nor distinguish between surplus value and profit, he must *necessarily* fall into confusion. By the same token, he is not able to comprehend the variation of the rate of profit – as distinguished from variations in the rate of surplus value. For example:

But assuming a given *surplus value*, an increase in the price of the *raw produce from the surface of the earth* would *raise* the value of constant capital to variable and *therefore* reduce the *rate of profit*, thus raising the *rent*.

(p. 15)

But if, for example, wages rose at the same rate as constant capital, without a change in the organic composition, in that case, if the total mass of surplus value remained unchanged, then surplus value and the rate of profit would have to decrease. If surplus value increased at the same rate as wages, then both rates would remain the same. There could also be the case in which the proportion of constant capital decreases, that would increase the rate of profit, with the rate of surplus value remaining the same. All this is illustrated by Marx in his tables of numerical examples (pp. 20–1).

By the same token, Ricardo necessarily has to confuse commodity value (which is determined by labour) and cost price (which is determined by market competition) (see sections 7.2 and 7.4). In these pages (pp. 21ff.), the discussion is about the ‘value of the commodity’ (VC of Figure 7.3) and not about ‘market value’ (MC).

Because Ricardo does not distinguish correctly between surplus value and profit, and because does not correctly define rent, the confusion he has when comparing the ‘general rate of profit’ and the ‘absolute rent rate’ (pp. 22ff.) is unavoidable.

It should be emphasized, exerting ‘epistemological attention’, that Marx again uses the term ‘price of production’ – in reference to the ‘concept’, as he will use it in *Capital* – on four occasions (p. 29). But perhaps using the concept of ‘production cost’ (lines below) influenced him to go back to the denomination that he had been using until that moment: ‘cost price’ (p. 30).

Regarding surplus value as such, Marx re-examines questions already clarified in his previous investigations:

Thus the value of a commodity is equally determined by the quantity of *objectified (past)* labour and by the quantity of *living (immediate)* labour required for its production. In other words: the quantities of labour are in no way affected by the *formal difference* of whether the labour is objectified or living, past or present (immediate). If this difference is of no significance in the determination of the value of commodities, why does it assume such decisive importance when past labour (capital) is exchanged against living labour? Why should it, in this case, invalidate the law of value, since the difference in *itself*, as shown in the case of commodities, has no effect on the determination of value? Ricardo does not answer this question, he does not even raise it.

(p. 36)

Marx returns to his distinction between living labour and labour capacity. Wages pay labour capacity and not living labour (which has no value as land, for example). And, because of that, objectified labour in the product might be greater than the (past) objectified labour in wages:

Instead of *labour*, Ricardo should have discussed labour *capacity* [...] capital would at once have been revealed as a *definite social relationship*.

Ricardo thus only distinguishes capital as ‘*accumulated labour*’ from ‘*immediate labour*’. And it is something purely physical, only an element in the *labour process*, from which the relation between the worker and capital, *wages and profits*, could never be developed.

(pp. 36–7)

Ricardo only discovered relative surplus value (only materially, not formally). As in the question of rent, he did not discover absolute surplus value (as he also did not discover absolute rent). Because, in fact, ‘*the origin of surplus value* does not become clear [...] because thus the origin and nature of surplus value is not clearly comprehended, the surplus labour + the necessary labour, in short, the *total working day*, is regarded as a fixed magnitude [...] and the productivity of capital, the *compulsion to perform surplus labour* [...] are not recognized, and therefore the *historical* justification for capital is not set forth (p. 41)’.

8.2 The rate of profit (MECW. 32: 60–103)

Now Marx advances into results reached after the *Grundrisse*—because in fact in the previous section the categories constructed in these *Manuscripts of 1861–63* were not used:

Ricardo [...] wrongly identifies surplus value with profit [...] Ricardo evidently shares Smith’s view, that the *total value* of the annual product resolves itself into revenues. Hence also his confusion of value with *cost price*.

(p. 60)

To speak of ‘value’ and ‘cost price’ was not possible in the Notebooks of 1857–1858. Now it is methodologically possible. And referring to the method, because Ricardo did not have the theoretical ‘intermediate links’ (or the necessary categories of mediation)² in reference to the ‘general law of value’, he could not achieve convincing results:

Ricardo commits all these *blunders*, because he attempts to carry through his identification of the rate of surplus value with the rate of profit by means of forced abstraction [...] Ricardo does not carry true abstract thinking far enough and is therefore driven into false abstraction.

(p. 72)

On the contrary, the ‘laws’ of the rate of profit are:

Firstly: We have seen that the rate of profit can rise or fall as a result of a fall or rise in rent, independently of *any change in the value of labour*.
Secondly: The *absolute amount of profit* = the *absolute amount of surplus value*

[...] The same *amount of profit* is therefore possible, with a falling rate of surplus value and a rising number of workers and vice versa, etc.
(p. 60)

The third is the fundamental ‘law’ of the rate of profit; the fourth and fifth that Marx discusses are not as important. The truth is that our critique shows that, although Ricardo started from the identity of surplus value and profit, in fact they are distinguished and even opposed in some cases or examples. Ricardo never understood clearly that the rate of profit (surplus value: total capital; s/C) is not equal to the rate of surplus value (surplus value: variable capital; s/v) (see p. 62). For that, he refers to ‘absolute profit’ and ‘profit rate’, that might vary in unequal proportions:

Ricardo distinguishes between *absolute profits* (= *surplus value*) and *rate of profits* and also shows that the rate of profit falls more as a result of the change in the value of the capital advanced, than the *absolute profits* (*surplus value*) fall as a result of the *rise in the value of labour* [...] In the passages, Ricardo himself throws overboard his whole theory of profit, which is based on the false identification of the rate of surplus value with the rate of profit.

(pp. 63–4)

But the identification of surplus value and profit produces more ambiguity in the question of the ‘*formation* (*Bildung*) of the general rate of profit’ (p. 67). According to Marx:

It is evident that the emergence, realization, creation of the *general rate of profit* necessitates the *transformation of values* into *cost price* that are *different* from these values. Ricardo on the contrary assumes the identity of values and cost prices [...] He accepts this *rate of profits* as something pre-existent which, therefore, even plays a part in his determination of *value*.
(p. 69)

This point is very important to Marx. In bourgeois political economy (including Ricardo’s), it is from circulation, from supply and demand, that are ‘formed’ or constituted price, average profit rate, the cost price (natural price) and even the commodity value (which is identified with cost price). Marx, on the contrary, needs to create new categories in order to distinguish the confused (*confus*): the falsely identified.

If it is true that ‘competition’ levels prices (and even market value, that is not the commodity value; remember section 7.4, Figure 7.3), in some cases of ‘special exchanges’ – as in agriculture – it might be true that the ‘cost price’ is less than the ‘market price’ and that, however, the latter expresses the real value:

If competition makes their *market value conform to their value*, then the *level* is established.

(pp. 69–70)

Marx can then distinguish between: the general rate of surplus value, which is constituted by the average proportion between ‘unpaid labour’ and ‘paid labour’ (p. 71) and which enters into the average value of a branch of commodities, and the *general rate of profit*, which is established instead by the relationship between the ‘amount of living labour employed in relation to accumulated labour. If the composition of capital in this branch is far below the *average composition* which determines the *average profit*, the relations of *supply* and *demand* in this new *branch* may make it possible to sell its output above its *cost price*’ (p. 70). The surplus value is determined at the level of *production* (necessary time + surplus time) and determines the commodity’s *average value*. Profit is determined at the level of *circulation* and of the market, because the ‘cost price’ (as Marx denominates it here) are the ‘*advances*’ (p. 71), or expenses previous to production ($Cc + Cv$), plus the ‘average profit’ that is determined by market competition. In the totality of the system, surplus value and average profit must be equal; but between nations, branches or special spheres between the individual capitals, etc., surplus value might be *distributed* in such a way that it is greater or less than the average profit. With that, Marx has discovered the ‘lost link’ between value and cost price or ‘natural price’ according to Ricardo. Both might be different without destroying the ‘law of value’, that is, the *continuity* can be seen between the workers’ human being, his living labour, labour capacity, wages, surplus value as the robbery of human life and average profit as a certain distribution of this stolen human life, cost price determination, and even market price that can be greater than the cost price and that, however, expresses only the value of the commodity (that also contains an average that distributes the surplus value). This means that Marx can measure *ethically*, or from human labour, the *totality* of categories and the capitalist economic reality, and, therefore, can make an ethical *critique* of it (if by ‘ethical’ is understood, correctly, *the critique of the dominant and established structure* of capitalism).

Because we are in a ‘general’ consideration of capital as such, the ‘colonial question’ does not enter into the matter, nor the type of ‘competition’ centre–periphery, that will be analysed later (pp. 70ff.); but it is not denied, not at all, that one has to systematically study it later at a more *concrete* and *complex* level.

As in many other questions, Ricardo materially guesses right when he suggests that there exists a ‘diminishing rate of profit’ (MECW. 32: 72); but because of all his confusions already indicated, he could never find the causes of this ‘law’.³

Marx begins his critique by articulating the difference between Adam Smith and Ricardo:

Adam Smith says that the *rate of profit falls* with the accumulation of capital, because of the growing competition between the capitalists; Ricardo says that it does so because of the growing *deterioration of agriculture* (increased price of *necessaries*).

(p. 101)

Marx is concerned very little with Smith because his arguments are weak, since he wants to justify the lowering of prices (and of the profit as well) in order to reduce the 'arbitrary profits', which does not suppose a real decrease in the rate of profit (from the reduction of the surplus value in relation to the total invested capital).

Ricardo, instead, shows that competition can *level* the rate of profit but not reduce it. Ricardo can only argue that, given a constant working day, the rate of profit rate decreases because the rate of surplus value decreases. This rate of the surplus value (the necessary time and surplus time relationship) could decrease if the necessary time increases. This would be possible if the value of 'the means of subsistence on which the worker spends his wages' rises (p. 73). That is:

This happens because agriculture is becoming less productive [...] The continuous fall in (industrial) profits is thus bound up with the continuous rise in the rate of rent. I have already show that Ricardo's view of rent is wrong [...] The rate of profit falls, although the *rate of surplus value* remains the same or rises, because the proportion of variable capital to constant decreases with the development of the productive power of labour. The rate of profit thus falls, not because labour becomes less productive, but because it becomes more productive.

(p. 73)

Immediately, Marx undertakes an analysis, starting from clearly specified examples in comparative tables (in which theoretical *comparison* appears in the *differences*), in order to show the error in Ricardo's argument that increasing rent causes rate of the profit to fall (pp. 74ff.). Following Marx's argument step by step would take us far away.⁴

In any case, Marx separates the rent question as a direct factor in causing the rate of profit to decline and as an objection shows an example in which 'the profit rate rose despite the rising corn prices' (p. 93), due to diverse concrete factors, of course.

For Marx, the question of the falling rate of profit should be situated at the level of 'the technological composition of the capital' (p. 89) or in the technological proportion between 'the amount of accumulated labour and [...] of living labour' (p. 91).

On the other hand, since surplus value can be *distributed* in a different way between the industrial profit (P), interest (I) and rent (R), the profit rate might decrease, although, for example, the industrial profit rises in proportion to interest or the reverse. And Marx continues:

The reciprocal rise of P', I and R only represents an altered distribution of P among different persons. A further examination of the circumstances on which this distribution of P depends, but which does not coincide with a rise or fall of P itself, does not belong here, but in a consideration of the competition between capitals.

(p. 94)

Marx remembers, then, that we are only at the first of the four parts of his treatise on capital 'in general' – *competition* would be the subject of the second part, and shall not be treated here.

8.3 Accumulation and reproduction (MECW. 32: 103–23 and 164–77)

After considering profit, continuing the logical discourse, it is necessary to consider the moment in which profit returns, is 'reflected' back on to the existing capital.⁵ In this case, *accumulation* and *reproduction* might *materially* coincide (but not formally):

The general law is as follows: where a part of the product, and therefore also of the *surplus produce* (i.e. the use value in which the *surplus value* is expressed) can re-enter as a condition of production – as instrument of labour or material of labour – into the sphere of production [...] is as a condition of reproduction re-incorporated into the process directly [...] so that accumulation and reproduction on a larger scale coincide here *directly*. They must coincide everywhere, but not in this direct manner.

(p. 120)

Accumulation is the conversion of profit into capital, globally; in a *formal* way, just by the return; *really*, as an effective increase of capital. Reproduction, instead, is formally (and in a simple way) the conservation of what is not consumed or the mere repurchase of the 'conditions' of production (essentially the constant capital that is consumed; but even variable capital that has to be employed again); however, *really*, it can be expanded reproduction (as an increase of productive capital and as an articulation with other complementary capitals).

First of all, then, is pure conservation:

Above all it is necessary to have a clear understanding of the *reproduction of constant capital*. We are considering the *annual* reproduction here, taking the year as the time measure of the process of reproduction [...] A large part of the constant capital [...] is not consumed and, therefore, does not need to be reproduced [...] [it] will be its purely formal reproduction (preservation).

(pp. 103–4)

But there is another part of the constant capital that is used (as are all use values) and at the same time is related to other capitals:

A second part of the constant capital is consumed annually in the production of commodities and must therefore also be reproduced. This includes the whole of that part of fixed capital which enters annually into the valorization process, as well as the whole of that part of constant capital which consists of circulating capital [...] And as constant capital they are all consumed during the year; whether only their value enters into the commodity, as in the case of fixed capital, or their use value too, as with circulating capital.

(p. 104)

In this way, expanded reproduction of capital in general interests Marx, not only as *a* capital, but as *all* capitals globally.

On the other hand, the realized profit or surplus value is globally accumulated in capital as surplus capital; but as a reproduction process, it *is distributed* among the capitals proportionally to ‘the given organic composition of the capital’ (p. 109):

The accumulation of new capital can therefore proceed only under the same conditions as the reproduction of already existing capital.

(p. 116)

If there is more constant capital than variable capital (and when increasing productivity, as we will see in the issue of crisis, the constant capital always increases more), then a greater portion of it would accumulate as new constant capital – which would produce a falling profit rate, as we have seen.

Marx returns here to state the question of expanded reproduction in connection with other capitals at the level of the production of means of production:

There remains the question: can a part of the *surplus produce* be re-transformed into capital (that is constant capital) through an (intermediary) exchange between the producer, for example of machinery, implements of labour, etc., and the producer of raw material, iron, coal, metals, timber, etc., that is, through the exchange of various components of constant capital? [...] they replace or form new constant capital through this exchange of the reciprocal component parts of their constant capital.

(p. 121)

Marx had already treated this problem in his critique of Smith.⁶ However, accumulation and reproduction still have difficulties. Crisis manifests these contradictions, as we will examine in the following section.

Further, Marx discussed different kinds of accumulation and their economic consequences, following, in that order, numerous quotes taken from Ricardo's *Principles*, from chapters 5 (twice), 6 (twice), 7, 8, 9, 20, 22 (twice), 26 and 32 (see pp. 164–77). Because Ricardo thinks that accumulation involves increasing variable capital only and does not consider the reproduction of fixed capital, neither can he understand that:

Accumulation for its part is not determined – directly – by the *rate of surplus value*, but by the ratio of surplus value to the *total amount of the capital advanced*, that is, by the rate of profit.

(pp. 170–1)

About the preceding, Marx indicates that for Ricardo:

Accumulation has the tendency to check accumulation, and the *law of the falling rate of profit* – since agriculture becomes relatively less productive as industry develops – hangs ominously over bourgeois production.

(p. 169)

At any rate, and finally, accumulation is the ultimate objective of capital:

It is the constant aim of capitalist production to produce a maximum of surplus value or surplus product with the minimum capital outlay [...] In this conception, the workers themselves appear as that which they are in capitalist production – mere means of production, not an end in themselves and not the aim of production.

(p. 175)

This is an evident *ethical* reference to Kant's formulation of not placing the person as a means (*Mittel*) but as an end in itself (*Selbstzweck*).

8.4 The 'possibility' and the 'existence' of crisis (MECW. 32: 123–64 and 177–208)

This is perhaps, within these folios of Notebook XIII, the part of these manuscripts most filled with unexpected philosophical, economic and historical consequences. The issue of 'devalorization' in *Grundrisse*⁷ is now the question of the 'possibility (*Möglichkeit*)'⁸ of crisis, which is not, it should be said, the question of the reality (*Wirklichkeit*) of crises:

Now the further development (*Entwicklung*) of the potential *crisis* (*potentia Crisis*) has to be traced – the real (*real*) crisis can only be deduced from the real movement of capitalist production, competition and credit [...].

(p. 143)

The general crisis comes into being. This is nothing other than the *possibility of crisis* [...] through which the possibility can develop into reality (*Wirklichkeit*).

(p. 142)

The general, abstract possibility of crisis denotes no more than the *most abstract form* of crisis, without content, without a compelling motivating factor [...] The transition from one to the other may, however, proceed smoothly. The *most abstract form of crisis* (and therefore the formal possibility of crisis) is thus the *metamorphosis of the commodity* itself.

(p. 140)⁹

In these pages, Marx uses repeatedly the concepts of ‘possibility’, ‘contingency’¹⁰ and ‘condition’.¹¹ We are exactly situated in a central point of the Hegelian ontology: in the passage from the Essence¹² as a mere ‘possibility’ (abstract potency) to the ‘reality’ of Being (*Dasein*)¹³ as real. Marx is situated at the abstract level of the essence as possibility (that is, capital ‘in general’), and leaves for the future (part two: competition; three and four: credit and stock capital, etc.) the more concrete, real, complex parts of the projected work. One has to bear in mind that Marx chooses from Latin the word ‘realization’¹⁴ for the transformation of commodities into money (in abstraction or in general as yet) and uses the word ‘reality (*Wirklichkeit*)’ – in the strict Hegelian sense – for the most concrete moment of the passage from the mere ‘possibility’ to the ‘real existence’ (after even Volume 3 of *Capital*). In the same manner as the crisis (and as one of its conclusions), the ‘dependency’ between national capitals of different levels of development might be treated in its ‘possibility’ (or essence: logical order) or in its ‘real existence’, historic or concrete existence (which has frequently been wrong done in the first place).

But first, when Marx criticized Ricardo’s ingenuous doctrine about profit, that the commodity is not always ‘realized’, he established the question of ‘overproduction’:

[...] But Ricardo is quite wrong when he seeks to refute Adam Smith by asserting that *overproduction* in one country is impossible [...] Overproduction does not call forth a lasting fall in profit, but it is *lastingly periodic*. It is followed by periods of underproduction (*Underproduction*) etc. Overproduction arises precisely from the fact that the mass of the people (*Volk*) can never consume more than the *average quantity of necessities*, that their consumption therefore does not grow correspondingly with the productivity of labour.

(pp. 101–2)

If there is no coincidence, but rather contradiction and inequalities, between production and consumption, already there lies the possibility of

crisis. It 'presupposes the constant disproportion' (p. 124) between increasing production (because of the increasing accumulation of constant capital and the decreasing possibility of using workers because the necessary time diminishes: less wages and fewer buyers) and less consumption, which disposes of the liberal dogma of the 'metaphysical equilibrium of sellers and buyers, and this led to [the conclusion] that demand is determined only by production, or also that *demand* and *offer* are identical' (pp. 124–5).

Once the disproportion between production and 'solvent necessities'¹⁵ is presupposed, the question can be formulated like that of the text cited at the beginning of this chapter (which we recommend should be re-read now), or in the following formulation:

Overproduction is specifically conditioned by the general law of the production of capital: to produce to the limit set by the productive forces (that is to say, to exploit the maximum amount of labour with the given amount of capital), without any consideration for the actual limits of the market or the needs backed by the ability to pay (*zahlungsfähigkeit*); and this is carried out through continuous expansion of reproduction and accumulation, and therefore constant reconversion of *revenue* into capital, while on the other hand, the mass of the producers remain tied to the *average level of needs*, and must remain tied to it according to the nature of *capitalist production*.

(pp. 163–4)

In fact, and lastly, Ricardo's mistake is the following: originally he starts from 'the assumption that every accumulation of capital = an increase in variable capital, that the demand for labour therefore increases directly, in the same proportion as a capital is accumulated' (p. 188). Marx concludes:

But this is wrong, since with the accumulation of capital a change takes place in its organic composition and the constant part of the capital grows at a faster rate than the variable.

(p. 188)

This is the entire problem. When diminishing the necessary time or the wages in proportion to increasing the production, overproduction, one falls into 'unsaleability (*Unverkäuflichkeit*)' (p. 144): that is, the impossibility of making the passage from commodity to money (C–M: sale).

This lack of equilibrium between the increase of production and the stagnation of consumption is not solved with the 'natural growth of the population' (p. 123), as Rosa Luxemburg supposed, because although there is a great population, it is necessary that they be 'solvent' (that they have money, that is wages). Overproduction, 'plethora' or capital abundance, growing accumulation or expanded reproduction, surplus value realization as surplus capital, are diverse 'phenomena' (p. 129) of 'the unity of differences'

(p. 131) which are ‘forcibly destroyed’: use value/exchange value, commodity/money, buy/sell, produce/consume, etc.

The one who produces cannot choose between selling or not selling. It is necessary that he sells, and what occurs in the crisis is precisely that he cannot sell or can only do so ‘below the cost price or maybe even sell at positive loss’ (p. 134).

If the commodity is not realized as money, there is an ‘annihilation’ or ‘destruction’ of capital, devalorization, crisis: ‘the crisis is precisely the phase of disturbance and interruption of the process of reproduction’ (p. 134). And this can always happen because of the lack of identity of production and consumption:

What after all has overproduction to do with absolute needs? It is only concerned with demand that is backed by ability to pay. It is not a question of absolute overproduction as such in relation to the absolute need or the desire to possess commodities.

(p. 137)

Indeed, an essential moment of the ‘crisis possibility’ is the non-identity between absolute need (to be hungry or to wish for bread) and to have money: to be solvent. ‘Need’ and ‘need-with-money’ are not the same. This is an absolute limit of capital with respect to the Third World at the end of the twentieth century: *needy* multitudes but not solvent (without money, because they are unemployed, or semi-employed, badly paid with miserable wages, miserable, *pauper*). A system would be just only when it equalized absolute needs with absolute production, when full employment (wages, with money) satisfied the ‘solvent needs’ with existing products (by increasing production; by the inexistence of relative overproduction). Only in this sense ‘is there neither partial nor general overproduction; and the one is not opposed to the other’ (p. 137). It would be an equilibrium economy, of full employment and the increase of social production, communal: socialism. There can be overproduction in the Third World (as economies for exportation), because there are massive ‘*unsatisfied needs*’ (p. 137) of the majority of the population. Therefore, we can conclude:

The possibility of crisis, we only say that in this form itself lies the possibility of the rupture and separation of *essentially* complementary phases.

(p. 139)

Crisis, then, is any deterioration, interruption or unrealisation of the passage of value from one essential determination of capital to another. In the ‘metamorphosis of the commodity’ (p. 141) or of value, there is crisis when the essential mobility of capital as a whole is fixed in a moment without the necessary passage to the next moment: the later phase is negated and annihilates itself:

The circulation process as a whole of the reproduction process of capital as a whole is the unity of its production phase and its circulation phase [...] Therein lies a further developed possibility or abstract form of crisis.

(p. 143)¹⁶

Marx then studies the diverse forms of the crisis in the ‘metamorphosis of capital’ (pp. 144ff.). There are, first, two ‘possibilities’ of crisis in the two functions of money:

The general *possibility* of crisis is given in the process of *metamorphosis of capital itself*, and in two ways: in so far as money functions as *means of circulation*, there is the separation of *purchase and sale*, and in so far as money functions as *means of payment*, it has two different aspects, it acts as *measure of value* and as *realization of value*.

(p. 144)

In the first case, the commodity is ‘unsaleable’. The second is not about the ‘unsaleability of the commodity’, but about the non-realization (*Nicht-realisation*) of a whole series of payments ‘based on the sale’ in a determinant period of time: ‘monetary crisis’ (p. 144).

Likewise, the crisis is possible when there are produced ‘price changes’ or ‘price revolutions’. In any case, the ‘general conditions of the crisis’ must be distinguished from its forms. One of the foregoing conditions might be ‘the reconversion of money into productive capital’ (p. 145), of the profit as accumulation or reproduction. If the prices of raw materials rise, for example, ‘reproduction cannot be repeated on the same scale’ (p. 146): crisis. Marx analyses a few cases, such as this one, of ‘inadequacies’ or ‘disproportions’ that oppose the identity of all the moments of capital with itself and with the market and other capitals.

In any case, Marx returns to the essential contradiction of the crisis:

Thus nothing is more absurd as a means of denying crises, than the assertion that the consumers (buyers) and producers (sellers) are identical in capitalist production [...] In order to deny crises, they assert unity where there is conflict and contradiction.

(p. 148)

At the bottom, the argument is articulated like this:

The mere relationship of wage labourer and capitalist implies: that the majority of the producers (the workers) are non-consumers (not-buyers) of a very large part of their product [...] they must always be *overproducers*, produce over and above their needs.

(p. 149)

In other words, by producing a surplus product over his necessary time, the time necessary to reproduce his wage, his labour capacity – that is, in order to be buyer or consumer of what he needs to live – the worker *cannot buy* all the surplus product produced. The profit or overproduction (surplus value) is the same: ‘*disproportionate production*’ says Marx. From here is also derived the non-identity of the extension of production and the market, i.e. ‘the market expands slower than production’ (p. 153).

Returning once again to the disproportion between production, in its unstoppable development, and the limited consumption, Marx makes an important distinction:

The word *overproduction* is itself an error. So long as the most urgent needs of a large part of society are not satisfied, or *only* the most immediate needs are satisfied, there can of course *be* absolutely no talk of an *overproduction of product* [...] On the contrary, it must be said that on the basis of capitalist production, there is constant *underproduction* in this sense [...] But overproduction of products and overproduction of *commodities* are two entirely different things.

(p. 156)

‘Products’ satisfy human needs (even though the subject of need may not have money, for example in a utopian community, nor necessarily with money in a socialist society); the ‘commodity’ *must* be exchanged for money: if the needy person *does not have* money, he cannot be a consumer because he is not a ‘solvent needy’. For Ricardo, and capitalist economists in general, ‘the *overproduction of commodities* is denied but the *overproduction of capital* is admitted’ (p. 162), because they admit that surplus value, or profit, the more money is produced as unsaleable surplus product.

By the same token, in analysing the question of machinery, where Ricardo was inspired by John Barton, the author of the *Observations on the Circumstances which Influence the Condition of the Labouring Classes of Society* (London, 1817), Marx shows that the incorporation of better means of production in order to increase the productivity of labour constitutes a crisis factor, because it increases the disproportion between production and consumption. In the machine, less labour is objectified than it displaces (pp. 178ff.).

But the machine not only displaces labour, but also annihilates capital:

The mechanized loom originally replaced the hand-loom weaver [...] In this case, not only is the labourer displaced, but his instrument of production too ceases to be capital (in the Ricardian sense). This entire or compete devaluation of the old capital [...] It is ridiculous to say in this case that the ‘old capital’ continues to make *the same demand on labour* as before.

(p. 182)

This question, like all the previous ones, is very important for a theory of dependency – because incorporation of more developed technology on the part of the more advanced capital of the central countries *annihilates* underdeveloped capital.

Barton has great merit regarding the matter of overpopulation – such a reality in Latin America. Smith thought that population increases along with capital. Barton on the other hand says that:

The demand for labour does *not* grow *proportionally* with the development of machinery, but that the machines themselves ‘*make population redundant*’ i.e. create surplus population.

(p. 202)

But although Barton, like others, guesses right materially, he does not do so formally. It is true, according to Barton, that the incorporation of machinery diminishes the employment of workers when there is less ‘circulating capital’. On the other hand, explains Marx, the diminution of workers is offset in the ‘immediate process of the production’ (p. 203), when the necessary time diminishes in relation to the labourers’ surplus labour time.

Last, and in order to answer Barton’s reflections about the increase or decrease of wages with respect to the population, Marx develops a subject that had not been discussed since the beginning of *Grundrisse*, when he said that one cannot begin with the population, but population has to be *explained* (as an explained concrete) from the concrete totality of capitals, as a unity of multiple determinations.¹⁷ This is a magnificent explanation (pp. 206–7).

9 The fetishism of vulgar and apologetic economics

Notebooks XIII to XV, pp. 753–944;
October and November of 1862
(MECW. 32: 209–541)

Classical political economy occasionally contradicts itself in this analysis. It often attempts directly, leaving out the intermediate links, to carry through the reduction and to prove that the various forms are derived from one and the same source. This is however a necessary consequence of its analytical method, with which criticism (*Kritik*) and understanding must begin. Classical economy is not interested in elaborating how the various forms come into being (*genetisch zu entwickeln*), but seeks to reduce them to their unity by means of analysis, because it starts from them as given premisses. But analysis is the necessary prerequisite of genetic presentation (*genetische Darstellung*), and of the understanding of the real, formative process in its different phases. Finally a failure, a deficiency of classical political economy is the fact that it does not conceive the *basic form* (*Grundform*) of capital, i.e. production designed to appropriate other people's labour, as a *historical form* but as a *natural form* of social production.

(p. 500)

These Notebooks, the last of the 'theories of surplus value' (but do not exhaust it because further ahead yet other matters and authors are treated)¹ include also the beginning of subsequent matters. They are like an *intermezzo*, and for that the final reflections about 'income' (section 9.5 of this chapter) enable us to make a kind of conclusion of this second part, which goes from chapters 4 to 9. Once again, we have wanted to respect the order of Marx's Notebooks and not to treat here the subsequent considerations of Hodgskin, Ramsay, Cherbuliez and Jones, because, as we will see, there are later discoveries that should not be anticipated. The reflections about fetishism perfectly conclude Marx's studies of surplus value.

9.1 Surplus value in Malthus (MECW. 32: 209–58)

We know well that Marx did not feel any sympathy for Malthus.² But he acknowledges that Malthus has at least some merit: he has discovered the

fundamental limitation of Ricardo's theory of surplus value. In his *Political Economy Principles*, Malthus wrote:

It is clear then that profits must be regulated upon a principle essentially different from that stated by Mr Ricardo, and that instead of being determined by the varying value of a certain quantity of labour employed, compared with the given value of the commodity produced, they will be determined by the *varying* value of a commodity produced in comparison with the *given* value of a certain quantity of labour employed.

(Malthus 1986: 293)

About which Marx comments:

The real contribution made by Malthus in his three books is that he places the main emphasis on the unequal exchange between capital and wage labour, whereas Ricardo does not actually explain (*entwickelt*) how the exchange of commodities according to the law of value (according to the labour time embodied in the commodities) gives rise to the unequal exchange between capital and living labour (*lebendiger Arbeit*) [...] This excess constitutes the surplus value; its size determines the rate of valorization.

(p. 210)

However, Malthus 'confuses the value of money or the commodity as capital [...] with the value of the commodity as such' (p. 211); that is, although he notices that the price of the commodity is greater than the cost (that is, there is a surplus beyond the paid labour), he attributes this surplus to the higher prices that the buyer pays. What happens, according to Malthus, is that the buyer pays with labour (being the fruit of his own work, or rent or some other income). The surplus labour that the commodity contains is not realized in the production process, but in the moment of the sale. The one who buys delivers more materialized labour (in money) than the labour objectified in the commodity (the commodity's value):

Consequently he falls back in his exposition, as we shall see, on the fatuous conceptions of the Monetary System, on profit *upon expropriation*, and gets completely entangled in the most hopeless confusion. Thus Malthus, instead of advancing beyond Ricardo, seeks to drag political economy back to where it was before Ricardo, even to where it was before Adam Smith and the Physiocrats.

(p. 211)

For Ricardo, the expense of capital is less than the value of the product ($= P$; expenses $= E$; $E < P$), but for Marx the value of the commodities, or of a commodity and money, are equal ($E < P = C = M$). For Malthus, on the other

hand, the costs and the product have the same value; however, the commodity has more value, because it includes profit, which is paid with greater accumulated or materialized labour ($E = P < C = M$). Again, Marx has to raise the objection, as against the mercantilists: because the commodity is sold for more than its value and the buyer is the one that pays the profit, then the buyer would be robbed. According to this, the only buyer who would pay more than the value of the product would be, once again, the *working class* as ‘totality’.

In fact, there are three possible kinds of buyers. A capitalist who buys capital from another:

If one person sells unpaid labour, the other person buys with unpaid labour. Both realize unpaid labour – one as seller, the other as buyer.
(p. 213)

The second possibility is the ‘independent producer’. Also in this case, as in the previous one, if he pays more when buying, then he recovers the loss when selling.

Only in the third case, because the worker is never the seller of a product, but only of his *living labour*, does he appear to be the only real loser, in the buying, according to Malthus, or in the productive process, according to Marx:

Thus the worker is the only one who pays for all commodities above their value even when he buys them at their value, because he pays money, the universal equivalent, above its value for labour.
(p. 214)

Of which Marx comments, criticizing Malthus from his own categorical perspective:

His profit [of the capitalist] – as far as this worker is concerned – arises not from his having sold the worker the commodity *above* its value, but from his having previously bought it from the worker, as a matter of fact in the production process, *below* its value.
(p. 214)

Only in the case of considering the classes as ‘totalities’ is it understood that the exchange between them is always unequal. That is, the totality of the living labour of the working classes subsumed by capital is higher in its value produced than the totality of the money received as wages. As a result, on one hand, the totality of the money of the working class cannot buy the totality of its own product and, on the other hand, the surplus that is impossible to buy because of its insufficient money, or because the surplus production is not paid for in the wage, cannot be appropriated as profit by the totality of the capitalist class. The capitalist class factions, the productive industrial

capitalists and other unproductive rentiers, might exchange between them without a loss:

So that each loses as a buyer what he gained as a seller. The only exception is the working class (*Arbeiterklasse*). For since the price of the product increased beyond its cost, they can only buy back a part of that product, and thus another part of the product, or the price of another part of the product, constitutes profit for the capitalist.

(p. 216)

‘The capitalist class’ sells the rest, which is impossible for the workers to buy, to ‘buyers who are not sellers. [...] Hence the necessity of landlords, pensioners, sinecurists, priests. [...]’ (p. 216). In this way, Malthus produces an apology in favour of unproductive labour, of the idlers who in their laziness allow the surplus production to be realized as profit. But in fact this is absurd, because the money received by the unproductive class from the productive classes is not new value, but *already created* value. Where does it come from? Malthus does not know. Marx insists it comes only from the ‘*living productive (lebendiger productiver) labour*’ (p. 215) of the worker. Therefore, Malthus ‘in a *confused (confus)* way, though on the basis of a correct surmise (*Ahnung*) [... falls however] into nonsensical, vulgarized conceptions’ (p. 215). That is:

In other words, it means nothing more than that *cost price* and *value* are identical, a confusion which, in the case of Adam Smith, and still more in the case of Ricardo, contradicts their real analysis, but which Malthus elevates into law.

(p. 225)

What was for Ricardo a contradiction to the law of value, for the mercantilist position of Malthus could be elevated to a law: the inequality between the value of costs paid by capital and the price of the commodity (which includes profit).³

All the rest of the Marxist critique is captured in the following formulation:

The working class, which according to the population principle is always *redundant* in relation to the means of subsistence available to it, overpopulation arising from underproduction.

(p. 244)

‘Underproduction’ means here ‘not solvent needs’ – that is, the working class as a totality has more needs than money, or less ‘buyable’ products than needs. On the contrary:

The capitalist class [is] driven into production by the urge for accumulation [...] [T]he only way to avoid overproduction, which exists

alongside overpopulation in relation to production [...] [is] non-producers and idlers. The disproportion arising from overproduction by the capitalists by means of overconsumption by those who enjoy wealth. (p. 244)

That explains the positive appreciation that Keynes felt for Malthus. The solution to the crisis of 1929 was full employment, more spending, the creation of a market, confident buyers.

9.2 The disintegration of the Ricardian school (MECW. 32: 258–371)⁴

Two methodological reflections are necessary before beginning the subject matter of this section. First of all, here lie some of the deepest discussions, in all of Marx's work, about the question of the *fetishism*, which he articulates regarding the concepts of 'absolute' and 'substance'.⁵ In fact, many times one talks about the fetishism of the commodity, or money or capital, but no one warns that all fetishism ontologically follows from the fetishization or 'autonomization' of *value itself*:

The *wisecre*⁶ transforms value into something *absolute* (*absolut*), 'a property of things', instead of seeing in it only something relative (*relativ*), the relation of things to *social* (*gesellschaftlich*) labour, *social labour*⁷ based on private exchange, a relation in which things are defined not as independent (*selbständig*) entities, but as mere expressions of *social* production. (p. 317)⁸

The following must be added in order to understand Marx's discourse:

The development of capital already *presupposes* the full development of the exchange value of commodities and consequently their independent existence (*Verselbständigung*) as money. The point of departure in the process of the production and circulation of capital is the production and circulation of capital, is the independent form of value which maintains itself, increases [...] It is not only an independent expression of value as in money, but dynamic (*procezirend*) value, value which maintains itself in a process in which use values pass through the most varied forms. Thus in capital the independent existence of value is raised to a higher power than in money.

(p. 318)

And, before talking about the text commentary, yet a third quote:

The social character of labour 'manifests itself' in a perverted form – as the '*property*' of things: that a social relation appears as a relation between

things (between *products, values in use, commodities*). This *appearance (Schein)* is accepted as something real by our fetish-worshipper, and he actually believes that the exchange value of things is determined by their *properties as things*.

(p. 317)

How deeply our wiseacre has sunk into *fetishism* and how he transforms what is relative into something positive.

(p. 316)

We are now in the presence of a central thought of Marx: value is *relative* in all its aspects⁹: (a) because living labour is its creative source; (b) because exchange is its destination; (c) and because its own character is objectified *social* labour, materialized. Value can never be ‘absolved’ (absolute) from relativity. Its essence is a ‘*social* relationship’. To ‘absolutize’ is the first moment of capital fetishization *as such*, in its most fundamental nature.

A second question is analysed by Marx. He frequently uses the denomination of ‘production cost’ and ‘cost price’ (see pp. 269–73) and with the later content of ‘price of production’:

This is the *cost price*, and when one speaks of *production costs* in the proper sense (in the economic, capitalist sense), then the term denotes *the value of the advances + the value of the average profits*.

(p. 272)

As we can see, Marx has not yet decided on the definitive name for the *concept*. The ‘genetic constitution’ (see sections 9.4 and 12.4) of the category has not yet concluded.

Returning to the subject matter of this section, Marx confronts first Torrens’ theory, but from a general theoretical framework, regarding all the ‘Ricardian school’:

All the exposition about the Ricardian school brings up the dissolution of this school in two points: (1) Exchange between capital and labour, according to the law of value; (2) Formation of the general profit rate. Identification of surplus value and profit. The misunderstanding of the relationship between *value* and *cost price*.

(p. 273)

For Ricardo, the unequal exchange between capital and *labour* was an exception to the law of value. But he did not deny the law and he accepted the contradiction in this case. The fall of the Ricardian school consists, to Marx’s eyes, in considering ‘the phenomenon as the law (*das Phänomen als das Gesetz*) of the phenomenon’ (p. 262). One passes in this way from ‘classical economics’ to ‘vulgar economics’, that is something like a sort of ‘academically syncretic

and unprincipled eclectic compilations' (p. 501). Robert Torrens, in his *An essay on the production of wealth* (London, 1821), is not aware of the contradiction, but takes it as a fact because of the development of humanity. The contradiction would have existed in an 'early stage period of society', but the presence of capital surpasses the contradiction; for Marx, in fact, the vulgar analysis of the decadent economists covers up the contradiction:

[Torrens] according to whom the value of commodities was determined by the labour time embodied in them '*in the early period*' when men confronted one another simply as owners and exchangers of goods, but not when capital and property in land have been evolved. This means [...] that the law which applies to commodities *qua* commodities, no longer applies to them once they are regarded as capital.

(p. 264–5)

The contradictory 'phenomenon' was 'intuited (*ahnt*)' (p. 262) by Ricardo as a problem, because it 'upsets the value of law' (p. 264). For his followers (apparently critics) the contradictory phenomenon was transformed into the nature of things.

In any case, Torrens has the merit of having launched the dispute regarding the content of the concept of 'cost of production' (pp. 269ff.). Marx relates it to 'cost price', 'price', 'commodity cost', 'natural price', 'market price', etc. One can see, as we have said before, that Marx does not yet assume a definitive position.

James Mill, in his *Elements of Political Economy* (London, 1821), already goes far away from the *reality* that Ricardo relied on:

The underlying contradictions themselves testify to the richness of the living foundation from which the theory itself developed. It is different with the disciple. His raw material is no longer reality (*Wirklichkeit*), but the new theoretical form (*theoretische Form*) in which the master had sublimated it. It is in part the theoretical disagreement of opponents of the new theory and in part the often paradoxical relationship of this theory to *reality* (*Verhältnis dieser Theorie zu der Realität*) which drive him to seek to refute his opponents and explain away reality [...] Mill wants to present bourgeois production as the absolute form of production and seeks therefore to prove that its real contradictions are only apparent ones.

(pp. 274–5)

In other words, Marx clarifies that all theory, when it is explicative, is an expression of *reality*. Because of that, Ricardo, who still had *reality* as the reference of his theory, as the *living fundament*, clearly discovered the contradiction as contradiction and considered it as an exception. His disciples, instead, considered the teacher's 'new theoretical form' as the 'raw materials' of their theory, fetishized it, eliminated from it the contradictions and

judged it as reality *itself*. The ‘only apparent (*scheinbar*)’ (p. 275) turns real. And if it is true that ‘the same *historical interests (Interesse)* – those of industrial capital against landed property’ (p. 275) – were the basis for the theorization of Ricardo and J. Mill, in the former it was a correct expression of an authentic, serious thought, while in the latter it was fetishized, ideologized, vulgarized.

The superficial explanations of J. Mill help Marx to understand (as we have explained in Chapter 1) the relationship between capital and living labour (see pp. 277–88). Mill, like all the rest, did not discover the necessary ‘connecting links (*Mittelglieder*)’, the categories that would express the development of reality, but he ‘subordinated directly the concrete in the abstract’ (pp. 277–8). Once again, Marx distinguishes clearly between ‘labour’ (living) and ‘labour capacity’ (p. 279) – and does not speak yet of ‘potency’ or ‘labour force’. In short, these are magnificent pages where the Marxist position about the unequal exchange between capital and labour is summarized. Marx concludes:

This *in fact* is the contradiction in which bourgeois society develops, as has ever hitherto existing society, and this is declared to be a *necessary law*, i.e. the existing state of affairs is declared to be absolutely reasonable (*absolut vernünftig*).

(p. 287)

It seems that Marx’s ‘epistemological attention’ is growing. Every time there are more and more reflections: about the method, about the status of the economist’s discourse. It seems that Marx is acquiring a greater explicit consciousness of the way of ‘developing’ his own discourse. The critical *confrontations* have given him the sufficient epistemological ‘security’ to continue his more systematic investigations later.

We should note from now on that for Marx the opposite of the scientific, dialectic, correct, is the fetishized; what one considers as real or essential is merely the ‘apparent’, what emerges from ‘capital’s fetishist form (*Fetischgestalt des Capitals*)’ (p. 458). The opposition is between ‘science’ and ‘fetishism’ (and not ‘science’ and ‘ideology’ as for Althusser), at least for Marx himself.

Marx treats two more questions regarding Mill. First of all, the non-understanding of the industrial ‘cost price’ (‘the value of the advanced capital plus the average profit’; p. 290) in relation to absolute rent (p. 288). Second, the claim to demonstrate ‘the direct identity of the supply and demand’ (p. 290). Marx writes:

One can conclude from his logic that he takes over the quite illogical Ricardian structure (*unlogische Struktur*), which we analysed earlier, and naïvely regards it on the whole as a ‘natural order’.

(p. 293)

Marx studies eight more authors. In first place, Guillaume Prévost (1799–1883), in his *Quelques observations sur le système de Ricardo* (Paris, 1825) – which Marx mentions as *Réflexions* – is based on J. Mill, and explicates Ricardo. These lines are worth quoting for our purposes:

Loss and gain within a *single* country cancel each other out. But not so with trade between different countries [...] 3 days of labour of one country can be exchanged against one of another country, a point *not* noted by Say. Here the law of value undergoes essential modification. The relationship between working days of different countries may be similar to that existing between *skilled, composed labour* and *unskilled simple* [labour] within a country. In this case, the richer country exploits the poorer (*ärmer*) one, even where the latter gains by the exchange.

(p. 294)

From the polemic work *Observations on certain verbal disputes* (anonymous, London, 1821), it is worthwhile underlining what we have already partly referred to (in section 7.3) as the following problem: that neither living labour nor land has any value; the ‘labour capacity’ has value, and, regarding land, what is paid is ‘the price which is paid for capitalized rent’ (p. 299) – that is, the right of demanding a rent from the property of land.

Regarding *An inquiry into those principles ...* (anonymous, London, 1821), also Marx shows, on the one hand, an infinite patience to continue his critiques, but, on the other hand, he understands that the ‘critical confrontations’ are coming to their end – because he is considering works that are turning from vulgar into apologetic ones. The same can be said regarding the work of Thomas Quincey (1785–1859), most of all *The logic of political economy* (Edinburgh, 1845).

To Samuel Bailey (1791–1850), instead, regarding his work *A critical dissertation on the nature, measures and causes of value* (London, 1825), Marx dedicates nearly twenty-five pages of his Notebook XIV. Later these reflections will appear in Book I of *Capital*. Bailey enables Marx to explore his point of view about value and to criticize the clear *fetishist* position of the ‘know-it-all’ (pp. 312–53); we analysed this subject at the beginning of this section. This text should be placed between the reflections expressed in Chapter 1 of the *Contribution* (1859) and the first three paragraphs of Chapter 1 of Volume I of *Capital*; it is an intermediate text with progress in relation to the *Contribution*:

Hence the *individual commodity as value (als Werth)*, as the embodiment of this substance entity (*Dasein*), is different from itself as use value, as an object thing (*Ding*) quite apart from the expression (*Ausdruck*) of its value in other commodities. As the embodiment of labour time, it is *value* in general (*Werth überhaupt*), as the embodiment of a definite quantity of labour time, it is a definite *magnitude of value*.

(p. 315)

The references to Hegel's *Logic* are explicit, technical and continuous. The 'thing' commodity, a more developed and concrete level of the 'concept of being', abstractly contains value which is 'being' as such, indeterminant *quality*, '[...] qualitatively the same and differ only quantitatively according to [...] labour time' (p. 315); with determinant *quantity* as 'degree' or 'magnitude'.¹⁰

But even if the magnitude of value could be determinant in itself as such, Marx is far from thinking that value could be an 'absolute':

It is quite wrong to say that the value of a commodity is thereby transformed from something *relative* into something *absolute* [...] as value it appears as something merely *posited*, something merely determined by its relation (*Verhältniss*) to socially necessary, equal, simple labour time. It is to such an extent *relative* that when the labour time required for its reproduction changes, its value changes.

(p. 316)

That value is 'posited'¹¹ means the opposite of the 'Being' (the undifferentiated absolute): the 'being' (thing) is a term of a relationship. And as always, in the *Grundrisse* and *Capital*, the question of the 'social' condition, 'as alienated (*entäussert*) individual labour' (p. 318), is related to the question of the fetishism: the value that is a relative entity to the Being of human beings, is attributed to things, to the thing in itself or as a relationship among things:

Bailey is a fetishist in that he conceives value, though not as a property of the individual object (considered in isolation), but as a *relation of objects to one another*, while it is only a representation in objects, an objective expression, of a relation between human beings, a social relation, the relationship of human beings with their reciprocal productive activity.

(p. 334)

Marx analyses many other subjects that we will not include because they are easy to understand with a simple reading.

Marx has an even more negative judgement about McCulloch than about Malthus: scientifically, because he was an apologist for the 'existing state of affairs' (p. 353), but also because he supported the interests of landlords and, especially, because of the contempt that he shows towards the working class: '*his only fear, driven to ridiculous extremes, is the tendency of the rate of profit to fall*' (p. 353). Against what many vulgar, cosmological (positivist or dogmatic) materialists thought, Marx stands for the defence of labour *as human*, instead of the mere physical or animal activity:

The miserable Mac has taken Ricardo to extremes, he who, in his incogitant efforts to *utilize* the Ricardian theory eclectically along with those opposed to it, *identifies its principle* and as socially determined human

activity – with the physical, etc., action, which commodities possess as *use values*, as things. He who abandons the very concept of labour itself!
(p. 366)

Facing this, Marx had no option but to conclude:

This vulgarization of Ricardo represents the most complete and most frivolous decline of Ricardo's theory.
(p. 367)

Edward Gibbon Wakefield (1778–1857), in his work *England and America* (London, 1833, vols. I–II), treats in part the question of the exchange between 'past labour' and 'present labour', and he has the intuition that 'profit would be inexplicable if wages corresponded to the value of labour' (p. 371).

Patrick James Stirling (1809–91), in *The Philosophy of Trade* (Edinburgh, 1846), adds nothing new because he represents a vulgar return to primitive mercantilist theories.

As we will later see (section 9.4), Marx gradually understands that only the 'classics' are important, scientific, serious. The rest is non-scientific decadence.

9.3 Critical reactions (MECW. 32: 373–449)

Leaving aside the socialist critics, Marx considers the critics that emerge from the sinews of the capitalist discourse itself. He deals with three works or authors.

In first place, the short work *The source and remedy of the national difficulties ...* (London, 1821), by an anonymous author. One cannot say that Marx learns something new; not even the confrontation takes him to new problems. The work has become tedious and it is necessary now to finish the inventory. This work 'bluntly describes *surplus value* – or profit, as Ricardo calls it (often also *surplus produce*), or *interest*, as the author of the pamphlet terms it – as *surplus labour*, the labour which the worker performs gratis' (p. 374). In addition, Marx begins a transition that would take him about 232 pages of Notebooks XIV to XVIII (MECW. 32: 374 to MECW. 33: 253); he slowly gets into the questions of accumulation, interest, mercantile capital, profit, etc. Later he returns to the three authors being studied here, now under a more adequate title: 'Proletarian opposition'¹² starting from Ricardo' (MECW. 33: 253), which is really the position of the three authors or works that Marx is now considering.

Indeed, Marx is aware that these authors, under a 'more or less economic, utopian, critical and revolutionary form' (p. 500), from the 'surplus product' (p. 397) point of view, or from 'surplus labour' (p. 229) or the 'unproductiveness of capital' (p. 234), understand that '*labour is everything (Die Arbeit ist alles)*' (p. 394).

If for Hegel ‘truth is everything’¹³ – that is to say, the concept is absolute in itself only in the case of being totally developed as ‘absolute knowledge’ – for Marx the truth of capital (and of political economy) is ‘labour’.

Returning to our anonymous author, we see that Marx has a clear understanding of his limitations – because his ‘epistemological attention’ grows:

The pamphlet is no theoretical treatise. It is a protest against the false reasons. [...] It does not, consequently, make the claim that its conception of surplus value as surplus labour carries with it the *general criticism* (*allgemeine Kritik*) of the entire system (*Gesamtsystem*) of economic categories [...]. The author stands rather on Ricardian ground and is only consistent in stating one of the consequences inherent in the system itself and he advances it in the interest (*Interesse*) of the working class against capital. [...] [T]he author remains a captive of the *economic categories* as he finds them. (p. 388)

In a way, Marx describes here the work performed in the *Theories of Surplus Value*: a general criticism of the entire system of economic categories. *From where* did Marx perform that *criticism*? We will see that later – the question is absolutely central, actual and essential for us, Latin Americans of the beginning of twenty-first century in a non-revolutionary situation (see section 12.2).

The anonymous author is often correct in his critique of the capitalist and in his description of surplus value (‘the capitalist will exact from the labourers the produce of every hour’s labour beyond what it is *possible* for the labourer to subsist on’ (p. 374); on the function of foreign commerce, that absorbs the revenue of capitalists in ‘foreign luxury goods’ and that impedes the ‘reconversion of surplus product into capital’ (p. 377) – with that Marx begins to consider the question of ‘accumulation’;¹⁴ and ‘spare time’ for ‘free activities’ (pp. 389ff.); etc.

The issue is, now, that the surplus product *accumulates* as capital. The revenue (profit, realized surplus product) can follow a double path:

- (1) Reproduction on the existing scale.
 - (2) Reproduction on an expanded scale, or accumulation; transformation of *revenue* into capital.
- (p. 382)

We return to subjects previously discussed.¹⁵ Regarding ‘reproduction’, Marx insists that the realized value not only returns as variable capital, but also as constant capital. One part reproduces wages, while another part maintains the value of constant capital. In this way, ‘it is equally correct that the *labour added during the year* is not represented entirely by that part of the product which can be resolved into *wages* and *profits*’ (p. 385).

Regarding ‘accumulation’ or ‘reproduction at an expanded scale’, Marx analyses its diverse possibilities (either accumulation of variable capital or of

constant capital). In any case, ‘the new capital consists solely of the appropriated labour of other people’ (p. 386).

Piercy Ravenstone (born in 1835), author of *Thoughts on the Funding System and its Effects* (London, 1824), adequately states the objective category of relative surplus labour, a theoretical accomplishment reached, as in the previous case, because they ‘defend the interest of the proletariat (*proletarische Interesse*)’ (p. 394). ‘Interest’ – as a fundamental or radical project – *opens* the possibility of the theory.¹⁶ For all of them, in a strict Ricardian sense, labour is the only creative source of value, of surplus value.

In third place, Thomas Hodgskin (1787–1869), in his work *Labour Defended against the Claims of Capital* (London, 1825) and in *Popular Political Economy* (London, 1827), enables Marx to settle again some epistemological questions. The economists, he says:

[...] simply express in theoretical terms the notions of the practical human beings who are engrossed in capitalist production, dominated by it and interested (*interessiert*) in it.

(p. 399)

If in capitalist production – hence in political economy, *its theoretical expression* – past labour were met with only as a pedestal, etc., created for labour by labour itself, then such a controversial issue would not have arisen. It only exists because in the real life of capitalist production, as well as in its theory, *materialized labour* appears as a contradiction to itself, to *living labour*.

(p. 409)

From the ‘bourgeois perspective’ – as expressed before – or from the real *interest* of the capitalist class, captivated and dominated by its effective conditioning, ‘theory’ can only *express* certain ‘representations’ – or constitute determinant ‘categories’ – and not others. For that, ‘Hodgskin himself starts out from a standpoint which is economically narrow-minded’, as he conceives ‘capital as an eternal production relation’, and reduces it to ‘the accumulation of the skill and the knowledge (*scientific power*) of the worker’; it is a ‘lofty idealism’ against the ‘rough material fetishism’ or ‘a crude materialism directed exclusively towards the satisfaction of coarse appetites’ of a McCulloch (pp. 399–400).

In all the discussion about the subject of accumulation, Marx distinguishes three levels:

This historical act is the historical genesis of capital, [...] *Accumulation of capital* on the basis of capital itself, and therefore also on the basis of the relationship of capital and wage labour [...] *Concentration of capital*. Accumulation of large amounts of capital by the destruction of the smaller capitals. Attraction. Decapitalization of the intermediate links between

capital and labour [...] As *functionaries* of the process which at the same time accelerates this *social* production and thereby also the development of the productive forces, the capitalists become superfluous in the measure that they, on behalf of society, enjoy the usufruct and that they become overbearing as *owners* of this social wealth and *commanders* of social labour.

(p. 449)

Hence, the end of capitalism, the time of globalization, would be its own ‘destruction,’ ‘decadence (*Untergang*)’ (p. 449) and the passage to a superior moment of history.

Let us recall some of the multiple topics that Marx discusses in these pages (pp. 403–49).

First of all, primitive accumulation is not a mere possession of money (hoard).

Thus primitive accumulation, as I have already shown,¹⁷ means nothing but the separation of labour and the worker from the conditions of labour, which confront him as independent forces [...] Once capital exists, the capitalist mode of production itself evolves in such a way that it maintains and reproduces this separation on a constantly increasing scale until the historical reversal takes place.

(p. 405)

In the second place, accumulation,¹⁸ by the means of reproduction as we have seen, is transformed into a permanent movement:

Accumulation by means of the reconversion (*Rückverwandlung*) of profit, or *surplus produce*, into capital now becomes a continuous process.

(p. 405)

Hence, capital becomes, totally, ‘as force [...] which is alienated (*entfremdet*) from labour’ (p. 405), that returns to itself in perpetual circulation; and hence, ‘the rhythm of reproduction accelerates’ (p. 418). The ‘accumulated’ capital, on the other hand, is either ‘fixed capital’ (buildings, machinery, etc.), or ‘raw materials and instrumental materials’, or a stock of commodities (p. 424), but, mainly, ‘the worker’s skill, the degree of development of labour’ (p. 427). Marx studies the way in which interest can be accumulated. And last, there are reflections about three independent phenomena: the ‘rate of exploitation’, the ‘rate of profit’, and the ‘accumulation of capital’, because some of these can increase or decrease, but not the rest.

9.4 The fetishism of revenue: a sort of conclusion of the ‘theories of surplus value’ (MECW. 32: 449–541)

Through these Notebooks of the second part of our work, Marx has been acquiring progressive consciousness, in the ‘critical confrontations’ with the diverse representatives of capitalist political economy, of the epistemological ‘handling’ of these authors. Neither of them can even conceive of Marx’s programme as a project, that is, to perform ‘a general criticism of the entire system of economic categories’ of capitalism, as we have seen in the previews section. Indeed, this is what Marx claims to do with these ‘theories of surplus value’. It is neither a *history* nor a surplus value theory: it is a creative or generating confrontation of categories; a ‘general criticism’ of the capitalist economy:

Classical economy is not interested in elaborating how the various forms come into being (*genetisch zu entwickeln*),¹⁹ but seeks to reduce them to their unity by means of analysis, because it starts from them as given premises. [Read the fully copied text at the beginning of this chapter.]

At the beginning of the *Grundrisse*, Marx had as his task to dialectically construct a certain *order* in the development of categories.²⁰ Now, only now, at the end of the theoretical experience of these numerous ‘critical’ confrontations, Marx has a clear understanding of his initial project: the ‘genetic development’ of categories, the ‘genetic exposition’ or ‘representation’ of the content of the ‘concepts’ of a ‘science’ as a *new system*. Marx carefully uses the notion of ‘science’,²¹ but is self-conscious of his handling:

Altogether his criticism [of Proudhon] is that of a novice, he has not mastered the first elements of the science (*Wissenschaft*) he intends to criticize.

(p. 527)

We will not elaborate here (see Chapter 12), but we do wish to recall once again that for Marx the opposite of ‘science’ is ‘fetishism’ (and not simply ‘ideology’, as it is for Althusser) and, therefore, that these pages might be considered as a ‘conclusion’ of the ‘theories of surplus value’, because Marx gradually understood the increasing degree of fetishization in which the discourse of economic ‘science’ was falling into. For Marx, the decadence advanced in three levels of mystification: (a) from *classical* to *vulgar* economics; (b) from the latter to the *apologetic*; and (c) from the latter to the *professorial form*:

Since such works only appear when political economy has reached the end of its scope as a science, they are at the same time the *graveyard* of this science.

(p. 501)

Interest-bearing capital, a question that Marx had already started with Hodgskin and that is the subject matter of these pages (*Revenue and its sources*), is the ideal theoretical location for non-science:

The complete *reification, inversion and derangement* of capital as interest-bearing capital [...] is capital which yields ‘*compound interest*’. It appears as a Moloch demanding the whole world as a *sacrifice* belonging to it of right, whose legitimate demands, arising from its very nature, are however never met and are always frustrated by a *mysterious fate*.

(p. 453)

Its ‘mysterious’ fetishization is manifested in the fact that it appears to be the source of value:

In the form of *interest-bearing capital* it becomes quite obvious that capital *without* expending any labour appropriates the fruits of the other people’s labour. For it appears here in a form in which it is separated from the production process as such. But it can do this only because, in this form, it indeed enters by itself, *without* labour, into the labour process, as an element which in itself creates *value*, of the product without labour, it has also created it without labour, *ex proprio simu*, out of itself.

(p. 502)

Once the capital is ‘fetishized’, then ‘the vulgar economists, on the other hand, feel completely at home, precisely with the *alienated (entfremdet)* form in which the different parts of value confront one another, just as a scholar is familiar with God the Father, God the Son, and God the Holy Ghost, so are the vulgar economists with land rent, capital interest, and labour wages’ (p. 502).

The process of fetishization (or non-science) is a progressive separation from ‘*living* labour’; it is not possible to understand the relationship between the ‘categorical system’ and ‘living labour’. Marx, on the contrary, conceives economic science as the ‘genetic development’ of the concept of living labour; from there he not only makes the ‘general criticism’ of all the categories already constituted, but also constitutes his own categories, *explaining* some of them starting from other categories, without jumps and without violating the law of value. It is about the ‘development’ of the *concept of capital* from the ‘criticism’ – effectuated from the exteriority or from the non-capital – from ‘*living* labour’. We return to this point later.²²

The epistemological levels of progressive non-scientific fetishism are the following:

Classical political economy seeks to reduce the various fixed and mutually alien forms of wealth to their inner unity by means of analysis and to strip away the form in which they exist independently alongside one

another [...] It therefore reduces rent to surplus profit, so that increases to be a specific, *separate* form and is divorced from its apparent source, the land.

(p. 499)

Marx had respect for classical economics because, although it identifies profit and surplus value or confuses 'a historical form' (capitalism) as if it were 'a *natural* form', it has consciousness of its contradictions or at least it states them, while 'vulgar economics' falls into a first level of fetishization.

Only when political economy has reached a certain stage of development and has assumed well-established forms – that is, after Adam Smith – does the separation of the element whose notion of the phenomena consists of a mere reflection of them take place, i.e. its vulgar element becomes a special aspect of political economy. Thus *Say* separates the vulgar notions occurring in *Adam Smith's* work and puts them forward in a distinct crystallized form.

(p. 500)

Capitalist economics advances a step further when it is transformed into an explicit defender of the capitalist system in power:

Vulgar political economy deliberately becomes increasingly *apologetic* and makes strenuous attempts to talk out of existence the ideas which contain the contradictions.

(p. 501)

But there is yet one more 'superficial' level of the science:

The last form is the *academic form*, which proceeds *historically* and with wise moderation, collects the *best* from all sources, and in doing this contradictions do not matter; on the contrary, what matters is comprehensiveness [...] (That they look down in an equally superior manner on the fantasies of the socialist need hardly be stressed.)

(p. 501)

For these 'scientists', the 'real reality' has become a fictitious reality. The 'fetishized form' (p. 449) takes the place of the real:

It is a kind of fiction without fantasy, a religion of the vulgar. In fact, the vulgar economists – by no means to be confused with the economic investigator we have been criticizing – translate the concepts, motives, etc., of the representatives of capitalist production who are held in thrall to this system of production and in whose consciousness only its superficial appearance is reflected. They translate them into a doctrinaire

language, but they do so from the standpoint of the ruling section, i.e. the capitalists, and their treatment is therefore not naive and objective, but apologetic.

(p. 450)

Interest-bearing capital, commercial capital, interest, commercial profit and rent are secondary forms of industrial capital or of industrial profit; but, in the end, they are forms on the surface in which the hidden manifests what is behind: 'surplus value, unpaid labour' (p. 453):

Thus the participants in capitalist production live in a bewitched world and their own relationships appear to them as properties of things, as properties of the material elements of production.

(p. 514)

Everything has turned 'irrational'.²³

PART III

New discoveries

In this third part, we shall examine Notebooks XV (p. 944 of the original manuscript) to XVIII (p. 1,472), written from November 1862 to July 1863; most of these texts have not been translated yet into any Romance language.¹ These Notebooks have two parts, clearly differentiable, which I shall divide into Chapters 10 and 11. Chapter 10 deals with themes related to Volumes 2 and 3 of *Capital* (here still called ‘chapter II’ and ‘III’, as we shall see), up through p. 1,157 of the manuscript (which is up to p. 371 of Volume 33 of MECW). Chapter 11 deals with the rest of the manuscript, where Marx returns to the continuation of his draft of Volume 1 of *Capital*, which he had abandoned in Notebook V, about relative surplus value and machinery (from p. 372 of Volume 33 of MECW to p. 336 of Volume 34).

We are then at the end of the *Manuscripts of 1861–63*, where, thanks to the analysis of the ‘production cost’ in a definite manner, Marx clarifies the concept of ‘price of production’, which only now he distinguishes from ‘cost price’ as an autonomous category.

10 Towards ‘Chapter II’ and ‘Chapter III’

Notebooks XV–XVIII, pp. 944–1,157;
November 1862 to January 1863
(MECW. 33: 9–371)

Just as the surplus value of the individual capital in each particular sphere of production is the measure of the absolute magnitude of the profit – in so far as this is merely a converted form of surplus value – so is the *total surplus value* (*Gesamtmehrwert*) produced by the total capital (*Gesammtcapital*), hence the whole of the class of capitalists, the absolute *measure of the total profit of the total capital*, whereby profit should be understood to include all forms of surplus value, such as rent, interest, etc. [...] It is therefore the absolute magnitude of value (and therefore the *absolute surplus produce*, amount of commodities) which the capitalist class can divide up among its members under various headings. The empirical, or average, profit can therefore be nothing other than the distribution of that total profit (and the total surplus value represented by it or the representation of the total surplus labour) among the individual capitals in each particular sphere of production, in equal proportions [...] The *agency* through which this calculation is performed is the *competition* (*Concurrenz*) of capitals with each other.

(pp. 99–100)

Marx passes slowly from the process of production to the process of circulation, and from the latter to the ‘unity (*Einheit*) of the process of production and process of circulation’ (p. 69). In other words, he gradually moves to the subject of the future Volumes II and III of *Capital*, which at this moment are still called the ‘third chapter’ (p. 69) and ‘chapter II’ (p. 69). A whole set of categories must be developed, categories which are discussed only slightly, if at all, in the *Grundrisse*.¹

10.1 Mercantile capital (MECW. 33: 9–68, 154–70 and 239–52)

Marx discusses mercantile capital at four levels: (1) prior to the existence of capital as such; (2) the contradictory moment of its first appearance; (3) subsumed as an internal function of industrial capital as such and, last, (4) relative autonomy as commercial or credit capital. For the moment, he performs

this task with terminological variations, which proves that the construction of categories is still an ongoing process.

As we have said, at end of the *Theories of Surplus Value* Marx had begun to develop the subject of capital that earns interest (MECW. 32: 450ff.), which would be the fourth level. When 'capital enters into the circulation process' (namely, when the product becomes a commodity) its 'function (*Function*)' (p. 464) is derived from industrial capital as analysed in the third level.

Indeed, at the first level, 'commercial' wealth and 'interest-bearing (*commercielle und Zinsform*) wealth' (p. 464) are *prior* to and independent of industrial capital; they are ancient forms, which could have been present in India or the Roman Empire. But, at the second level, and since the seventeenth century:

Both of them must first be destroyed as independent forms and subordinated to industrial capital: violence (the State) is used against interest-bearing capital by means of compulsory reduction of interest rates, so that it is no longer able to dictate *terms* to industrial capital.

(MECW. 33: 464–5)

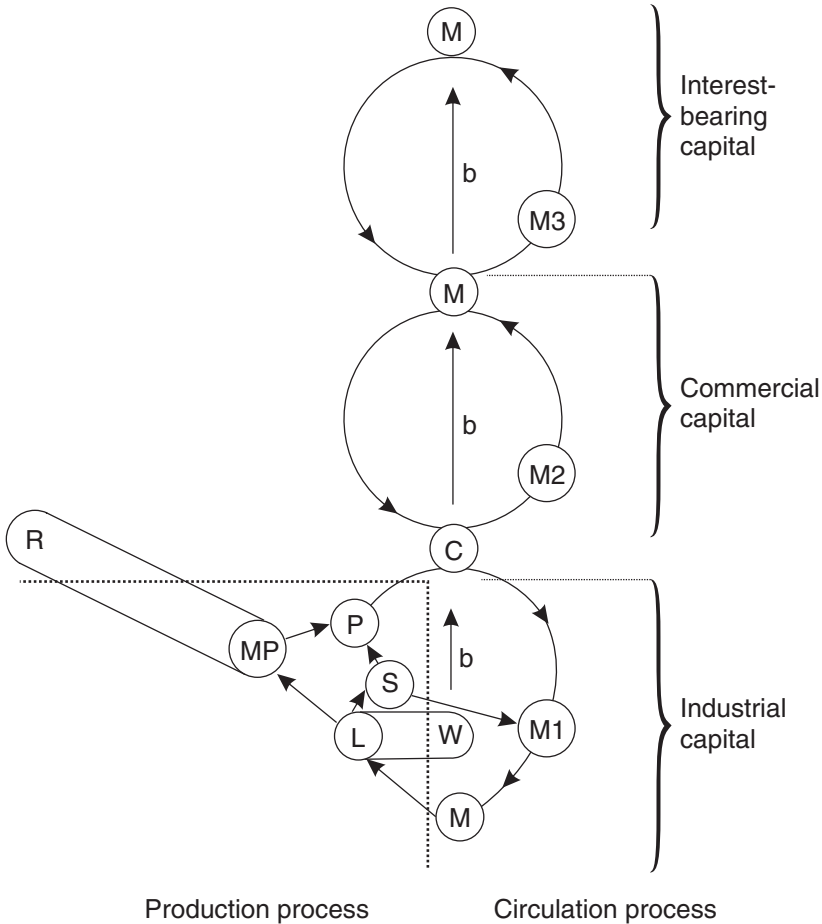
It is the time of confrontation. The third level is the monetary (M–C) or mercantile 'function' of capital itself (C–M). The fourth level is when the industrial capital creates a form that pertains to it, independent and autonomous, but dependent on it: 'the credit system' (MECW. 32: 465).

In the section on 'Revenue and its sources', Marx had discussed interest-bearing capital, the most fetishized form of capital – for it appears to have no relation whatsoever to 'living labour'. For Marx, interest is part of the distribution of surplus value; here it seems that there is no relationship at all with surplus labour and living labour (MECW. 32: 465).

Marx uses various terms. He refers to 'commercial (*commerciell*) capital' (MECW. 32: 464), or by the German etymological origin (*Handel*: traffic; MECW. 32: 465); *Handelscapital* (MECW. 32: 465), and properly in its strong form: *Kaufmannscapital* (of *Kaufmann*: the person of the merchant; MECW. 32: 451), 'merchant capital'. All these forms must be distinguished from 'mercantile capital' or 'commodity capital (*Warencapital*)'; from 'money capital (*Geldcapital*)'; and even from 'capital that trades in commodities (*Warenhandelscapital*)' or 'capital that trades with money (*Geldhandelscapital*)'. Anticipating with regard to the accuracy still not achieved by Marx, let us see the following diagram (Figure 10.1) which expresses his definite terminology (even in *Capital*).

In this Notebook XV, and starting from the unpublished part,² not edited by Kautsky, we find the first extensive study of this problematic in Marx's theoretical life. We will follow, as usual, a strict chronological order; we will not anticipate later developments.³

The 'development' of the concept of mercantile capital starts with what is not yet capital and ends in the 'autonomous' forms in which surplus value is



Explanation: M = money; L = wage labour; MP = means of production; s = surplus value; P = product; C = commodity; R = rent; M1 = money with industrial profit; M2 = money with commercial profit; M3 = money with interest; arrow a = progressive fetishisation from production to circulation; arrow b = progressive fetishisation from industrial capital to capital that generates interest.

Figure 10.1 The progressive fetishisation of capital: from deeper to more superficial levels.

distributed or transferred, 'a transfer from surplus value (*ein Transfer von dem Mehrwerth*)'; p. 63), no longer as 'functions' of industrial capital (the only level at which surplus value is produced), but as commercial capital or interest-bearing capital.

First, Marx describes the forms *prior* to capital: the pre-capitalistic user or 'miser (*Wucherer*)', which is the first form of loan with interest already present

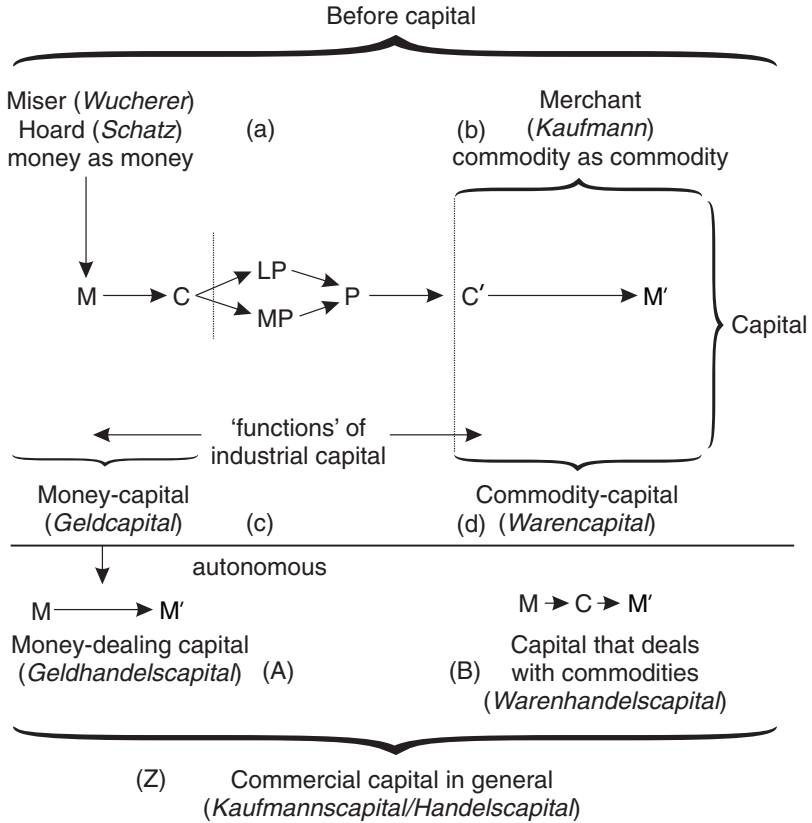


Figure 10.2 The development of terminology related to money capital and commercial capital.

in slavery society or feudalism; or the merchant (*Kaufmann*), who obtains profit by means of selling commodities over his purchase price:

This form of usury, in which capital does not take control of the mode of production, hence is capital only formally, presupposes pre-bourgeois modes of production as dominant; but it is reproduced again in bourgeois society in subordinate spheres.

(p. 10)

The money profit obtained by the merchant or usurer is not really capital; it emerges from circulation (pp. 15–16) and not from production. It presupposes money and commodities, but it does not produce them nor create them, they are movements of mediations 'between extremes, it does not dominate and presuppose, it does not create (*schafft*)' (p. 14). They are two forms of 'trade' either with money (*Geldhandel*) (IV, 11) or with commodities

(*Warenhandel*), but they are not capital; they are (a) and (b) of Figure 10.2 above.

Second, Marx discusses the pre-capitalistic 'bourgeois and small agricultural industries' (pp. 17ff.). They need, nonetheless, 'money as a means to purchase or as a means of payment' (p. 17). Money appears before them as a fetish:

Money is absolute, counts for everything, and this all-embracing Power of money is the power of the usurer.

(p. 18)

Marx also studies the pre-capitalistic, mercantilist and even colonial forms of capital (as he had already insinuated in the *Theories of Surplus Value* (p. 465–6)).

Third, Marx explains the subsumption of these primitive forms in capital properly speaking (pp. 10ff.). 'Money as money (*Geld als Geld*)' or 'commodities as commodities (*Waare als Waare*)' (p. 12) develop into capital:

Commercial capital (*Handelskapital*), or money as it appears in merchants' wealth, is the first form of capital, i.e. value which proceeds exclusively from circulation (from exchange), preserves, reproduces, and increases itself within it; and thus the exclusive purpose of this movement is exchange value.

(p. 13)

Capital subsumes inferior forms, but at the same time coercively ('*die zwangsweise ...*'; p. 11)⁴ destroys them by means of competition and also by means of political power.

Only in the fourth place does 'capital as money (*Capital als Geld*)' (p. 44–5) appear properly speaking; one knows it is capital because it has subsumed living labour as productive force and, hence, has accumulated surplus value. It is figure (c) of Figure 10.2, which nonetheless is opposed to 'commodity capital':

A *reduplication* therefore takes place (at least in appearance). *Commercial capital* (commodity capital) (*Warenkapital*) and *moneied capital* (*Geldkapital*) are on the one hand *general formal determinations*⁵ of productive capital, and the particular movements it passes through as *commercial capital* (commodity trade) and *moneied capital* (money trade) are particular functions which productive capital performs in its process of reproduction in both those forms [...] As particular forms of productive capital in general, they also become the spheres of particular capitals; *particular spheres* of the valorization of capital.

(p. 48)

These are, completely, the subject matters of future book II of *Capital*. The mere 'dealing with money (*Geldhandel*)' of the usurer is not equivalent to 'money capital (*Geldcapital*)'; similarly, the mere 'dealing with commodities (*Warenhandel*)' of the merchant is not the moment, function, stage or arena of productive capital called 'commodity capital' (*Warencapital*). Both pre-capitalistic moments are developed by subsumption, as moments or determinations of capital itself.

The first moment of capital is the one that purchases (M–C). The second moment is the one that sells (C–M). Both are, in a broad sense, mercantile or commercial capital. This would be the fifth aspect which we shall discuss. And it is here where Marx advances towards the constitution of his main categories. The passage from the product (P) to commodity (C) logically poses certain problems, such as the one of passage from surplus value into profit, their respective rates, the fall of profit rate, etc. But now we obtain new clarity regarding a central issue:

The industrial production price of one commodity always enters into the cost price of the other, even when the industrialist exchange directly, without the interposition of merchants [...] As regards all the other commodities which enter into the price of production of his own commodity, their cost price, hence the costs of his production, appear to him as determined by the price of production, and profit therefore appears as an element which enters into the price of production, not as a result which emerges from it.

(pp. 36–7)

As one can see, we have passed into another moment of the development of the concept of mercantile capital. It is no longer about the passage of product (with its cost price and surplus value) into commodity (with its price of production, including the cost transportation), but about the passage of the commodity of industrial capital into another commodity (either another industrial capital or commodity capital), which will constitute a sixth question.

Indeed, Marx now reaches a greater clarity regarding the category of 'price of production', because he has to compare it with an 'autonomous' or 'independent (*selbständig*)' capital (p. 14), not any longer as a function or phase of industrial capital, but as a particular commercial or mercantile capital (moment B of Figure 10.2). In this case the following situation can arise:

The magnitude of the difference between the buying price or the merchant (the selling price of the producer) and the selling price of the merchant (the buying price of the consumer) [...] The difference between the buying price and the selling price of the merchant.

(p. 156)

Here we have in fact only the difference between the buying price (or

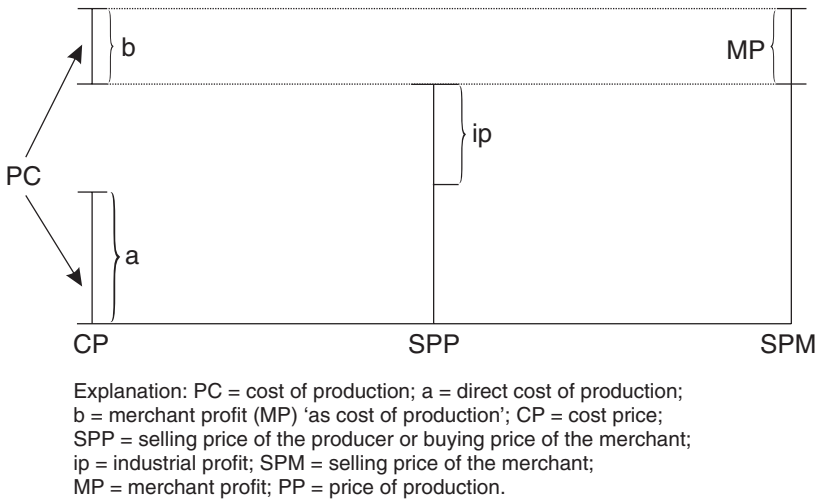


Figure 10.3 Cost price and price of production.

what is the same to the producing capitalist, the cost price) and the selling price (or price of production).

(p. 251)

In other words, surplus value is distributed between the profits of industrial capital and commercial capital. The price of production refers to the final selling price of the merchant, who, when buying the commodities, pays the producer its value less the commercial profit. This type of relationship of exchange now gives Marx more possibilities to understand the difference between industrial 'cost price' (the buying price of the merchant plus mercantile profit) and 'price of production' (the final selling price).

In Figure 10.1, the commodity (C) of the industrial capital has for the producer a selling price (SPP of Figure 10.3), which is the buying price for the merchant. The profit obtained by the merchant (in M2 of Figure 10.1) or 'mercantile profit' (MP of Figure 10.3) must be considered as a cost of the producer; that is, surplus value obtained through distribution. This is clarified here by Marx *for the first time* in a definitive way. It is the dialectical 'passage' of capital that produces surplus value (industrial) into mercantile capital that earns profit by the transfer of industrial surplus value:

Mercantile capital therefore creates neither value nor surplus value. That is to say, not directly [...] The *profit* which *mercantile capital* brings in is therefore merely a part of the surplus value, which is created by total productive capital [...] *mercantile capital* does not function in the actual process of production, but in the process of reproduction of the commodity, of which the process of circulation forms a section of its

own. Just as the industrial capitalist is an agent of capitalist production, or productive capital personified, so the *merchant* is an *agent* of capitalist circulation, *in fact* a personification of circulating capital.

(pp. 62–3)

There is still a seventh question: interest-bearing capital, or the development of the miser's 'hoard *as capital*', that is, the 'money capital' (*Geldcapital*) (or monetary capital) developed as 'capital that trades in money (*Geldhandelscapital*)' (moment A of Figure 10.2; or 'interest-bearing capital' of Figure 10.1, that obtains profit from money: M3). It is neither the hoard of the pre-capitalistic miser, capital money (as purchase M–C, nor as sale: C–M), but the autonomous or independent capital, as the 'more developed money as means of payment, hence the credit system (*Creditsystem*)' (p. 61), which acts within the reproduction of the total capital, in order to shorten the 'circulation time' (p. 62):

Capital employed in money dealing (Geldhandel) is a particular kind of commercial capital alongside capital employed in commodity dealing (Warenhandel). The one is a development of commodity capital, the other a development of money capital, or the one is a development of capital as commodity, the other of capital as money. Both are merely forms and modes of existence of productive capital present in the circulation process which have attained an independent role.

(p. 166)

This is interest-bearing capital; interest is nothing but a distribution of the surplus value of industrial capital, and has also to be added to the production cost of industrial capital.

Lastly, Marx also discusses the turnover of capital, the accumulation of capital and the reproduction process. In this sense, one says that 'the circulation process is a phase of the total process of reproduction' (p. 61). We will discuss this subject later.

As we can see, Marx has studied here problems of the future Volume I (primitive accumulation), Volume II (money capital, commodity capital, reproduction) and Volume III (cost price, production cost, commercial capital and interest-bearing capital), with emphasis on the 'mercantile' aspect of these problems.

10.2 Capital and profit: towards 'Chapter III' (MECW. 33: 69–153)

Now, we come to the third part⁶ of Chapter III (the future Volume III of *Capital*):

Considered in its totality (wholeness) (or considered completely) (or in

its completeness) the movement of capital is a unity of the process of production and the process of circulation.

(p. 69)⁷

As in Hegel's *Logic*, 'reality' is the *unity* of essence and existence.⁸ If 'existence' is the superficial level or phenomenal moment of being (circulation), its *unity* with the 'essence' (production) posits it as *real*. Reality or the 'realization' of capital is the sale, the negation of the commodity as such; it is the passage to money with profit. In this sense, the *essential* level (surplus value) acquires *phenomenal* reality in profit:

The capitalist knows nothing of the essence (*Wesen*) of capital, and surplus value exists in his consciousness (*Bewusstsein*) only in the form of profit, a converted form of surplus value [...] In fact the capitalist himself regards capital as a self-acting automaton, which has the quality of increasing itself and bringing in a gain, not as a relation, but in its material existence.

(p. 71)

Marx pays attention to the disguise of the covering up of consciousness, of their 'not-knowing' the essence, the 'total mystification (*Mystification*)' (p. 70) of 'the secret (*Geheimniss*)' of the origin of surplus value. For Marx, everything reduces ultimately to the radical contradiction where the fetishism is annihilated and from where 'science' starts:

In surplus value as such, the relation of capital to the labour which capital appropriates is constantly expressed. In the relation of capital to profit, capital is related not to labour but to itself.

(p. 70)

All this Marx summarizes in the discovery of the creative exteriority of living labour as the source of surplus value (see section 12.2) and, therefore, in the denunciation of capital's pretentious fetishism, which asserts that objectified or past labour is able to create value from itself:

The result is the complete extinction of the memory of the original nature of surplus value, or alternatively this original nature never enters clearly into consciousness at all, but appears at most as an equally valid moment alongside the moments which arise out of circulation independently of capital's original nature, hence as a moment of the movement which belongs to capital independently of its relations to labour. Indeed, these phenomena of circulation are themselves directly adduced by other political economists [...] as proofs that capital in its material shape – regardless of the social relation of production which

makes it capital – is an independent source of surplus value alongside labour and independently of labour.

(p. 73)

All the 'development' of Marx's discourse *as science* starts from the fundamental contradiction of 'past labour (*vergangne Arbeit*)' that dominates over 'living labour' (p. 73). The 'thingly (*sachlich*) existence' of the *past* labour denies the *living* labour, from where 'the *essence* of capital' emerges (p. 73). It is the 'mystification, the upside-down world' (p. 73), where the objective fetishistically alienates the subjective.

Marx analyses seven aspects, but in fact only gives much importance to two of them: (6) Production cost' and (7) Fall of the profit rate. Let us examine both of these subjects.

The first one, production cost, is essential in the now-definitive determination of the concept of 'price of production'. Although the study of mercantile capital enabled Marx to advance, it is only *after* having declared *for the first time* in an explicit way the 'costs', that he is able to distinguish 'cost price' and 'price of production' from each other.

The main point is to understand clearly the nature of the 'excess of the product's value *over* the value of the capital advanced' (p. 79). From there:

Production cost means everything, all the components of the product the capitalist has *paid for*.

(p. 81)

It is the sum of the constant and variable capital or the totality of the 'money advanced':

Therefore, that surplus value, hence also *profit*, in so far as it is only another form of surplus value, does not enter into the production costs of the capitalist who sells the *commodity* [...] His profit arises precisely from the fact that *he has something to sell which he has not paid for*. For him the *profit* consists in the *excess of the value* (the price) *of the commodity over its production cost*.

(p. 82)

In this way, 'as long as some excess over the production cost is realized, a profit is always realized' (p. 82); and from this Marx concludes that:

This law, that the capitalist is able to sell his commodities with profit even under its value, is very important to clarify some of competition phenomena.

(p. 83)⁹

The dialectical 'passage' from surplus value to profit is not direct. There are

many mediations and, because of that, diverse categories are needed. The law that rules this dialectical passage is 'competition (*Concurrenz*)'. If the totality of capital is considered (worldwide in the case of the dependency between countries) or the whole capitalist class, the surplus value and the profit realized are equal. Marx still talks here of 'average surplus value (*Durchschnittsmehrwert*)' (p. 84) – a term which is neither frequent nor necessary.

The 'general tendency' consists, on the other hand, in reducing to a minimum the production costs and the 'living labour' (p. 90), which results, we will see, in a falling rate of profit. But now what interests us is that competition levels the profit, always referring to surplus value as 'average profit', that which is *distributed* among the individual spheres of production, or among individual capitals of each sphere or among nations. As for us, what matters is the distribution of surplus value at a worldwide level, between the central and the peripheral capital, as the 'average worldwide profit rate', in order to clarify the question of dependency theory.

Let us now consider the text quoted at the beginning of this chapter. Competition calculates, levels and distributes surplus value. So, if by hypothesis and in the abstract, or in general at the beginning, it is assumed that all commodities sell at their value (surplus value = profit), now, *more concrete*, one can say that in fact no commodity at all (but for an exception) sells at its value (surplus value is not equal to profit). However, in the *concrete totality* of all capitals (the total sum in the world of the really existent capitals), surplus value again becomes equal to profit.

The average 'empirical (*empirisch*)' profit (p. 100) is deduced by dividing the total 'amount of surplus value' among the individuals, spheres of production or nations' capitals. The corresponding profit of each one is not the surplus value that in fact each of them created (there can be differences of greater or lesser magnitude). If one earns *less* than his own surplus value, then he *transfers* part of it to the other capitals; if one earns *more* than his own surplus value, then he obtains an 'extraordinary profit'. Therefore:

An essential difference enters the picture, both between profit and surplus value and between the price and the value of the commodity [...]
The more detailed investigation of this point belongs to the chapter on *competition*.

(p. 101)¹⁰

Only after these distinctions with regard to the 'production cost' are made can Marx write:

Within capitalist production *cost price* never = value [of the product].
Production price can = value, if the coincidence occurs that the capital which gives the commodity is its final form.

(p. 232)

We have already seen this in Chapter 7, regarding the theory of rent, but there it was denominated – with a terminology contaminated by classical economics – ‘cost price’ and not yet ‘price of production’. Only thanks to the study of mercantile capital (in the ‘passage’ of the product into commodity, and of the sale of the commodity by industrial capital to commercial capital, properly speaking) and thanks to the explanations of the ‘production cost’, is *price of production* distinguished, definitively and for the first time, from the total costs, the expended or advanced capital (constant and variable capital). The production cost or cost price plus the average profit, determined by competition, refers to the final price of production as the buying price of the consumer: ‘the price of production of the commodity = its value’ (p. 232). Marx has expended lots of pages and hours of study in order to clearly constitute these new categories, and many Marxist readings do not seem to have noticed the tortuous paths of Marx’s discoveries!¹¹ But Marx still did not know at this time the precise difference between ‘price of production’ and the *final* price (after the effects of supply and demand in the market – competition *in the concrete*).

Finally, (point ‘7’ of this part), Marx studies the fall of the profit rate. We already know the essential and organic difference between the rate of exploitation or the rate of surplus value and the superficial rate of profit (pp. 70ff.), as well as the law that is deduced from the proportional increase of the constant capital:

This law, and it is the most important law of political economy, is that *the rate of profit has a tendency to fall with the progress of capitalist production.*
(p. 104)

The increasing proportion of ‘*objectified labour*’ in relation to ‘*living labour*’, the ‘development of the productive power’, the ‘development of fixed capital’, the ‘concentration of the means of production’, etc. (pp. 108ff.), are the cause of the crisis (*‘Hinc Crisis’* exclaims Marx; p. 112), and therefore the possibility of ‘a higher mode of production’ is inscribed in the essence of capital:

The development of the productive forces of social labour is the historic task and justification of capital. It is exactly by doing this that it unconsciously creates the material conditions for a higher mode of production [...] Ricardo only suspects. What is demonstrated here, in a purely economic manner, from the standpoint of capitalist production itself, is its barrier – its relativity, the fact that it is not an absolute, but only an historical mode of production, corresponding to the material conditions of production of a certain restricted development period.

(p. 114)

As he often does, Marx studies minutely different possibilities and proportional relationships between surplus value and variable capital (the rate of

surplus value), and between profit and the total advanced capital (the rate of profit), and possible causes of the fall of profit rate (pp. 115–51). And Marx concludes:

The power of capital as such grows thereby. The independent position archived by the social conditions of production vis-à-vis the real creators of those conditions of production, as represented in the capitalist, thereby becomes increasingly apparent. Capital shows itself more and more as a *social power* (the capitalist is merely its functionary, and it no longer stands in any relation to what the labour of an individual creates or can create), but an *alienated social power which has become independent*, and confronts society as a thing – and through this thing as a power of the individual capitalist [...] The contradiction between the *general social power* which capital is formed into, and the *private power of the individual capitalist* over these social conditions of production becomes ever more glaring, and implies the dissolution of this relation, since it implies at the same time the development of the material conditions of production into general, therefore communal social conditions of production. (p. 144)

The actuality of those observations, in a time of globalization, becomes evident. Once again, Marx glimpses a more developed 'mode of production' beyond capitalism, as a collective ownership of the conditions of living labour with the goal of production for the benefit of humanity rather than for capital.

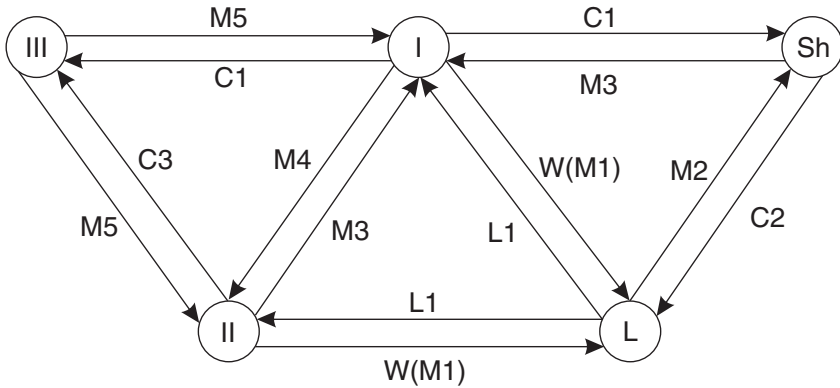
10.3 The reflux of money in capitalist reproduction (MECW. 33: 171–239)

Marx now analyses the problem of movement of money; of how money returns (refluxes) to the hands of the capitalist who produces commodities. For this purpose, he uses *five* related terms (from which can be established *fourteen* relationships that Marx describes without order but in their totality).

Marx begins his analysis in the following manner (see Figure 10.4):

Let us take first the circulation between productive capitalist [I] and *shopkeeper* [Sh] and worker [L]. Let the *shopkeeper* represent all the sellers of the means of subsistence which enter into the worker's consumption. *Money* is paid as wages [W(M1)] by the capitalist to the worker; the worker gives out this money [M2] as means of circulation, buys commodities from the *shopkeeper* [C2] with it; with the money [M3] the *shopkeeper* replaces his *stock* from the capitalist, who, we shall assume, produces means of subsistence [C1].

(p. 171)



Explanation: I = capitalist who produces means of subsistence;
 Sh = commercial shopkeeper; L = labour;
 II = capitalist who produces means of production;
 III = capitalist who produces gold or silver; W(M1) = wage;
 M2 = money used to purchase means of subsistence; M3 = reflux of money;
 M4 = purchase of means of production; M5 = gold or silver; L1 = living labour sold;
 C1 = commodity of industrial capital, means of subsistence;
 C2 = the same commodity to the consumer; C3 = merchant means of production.

Figure 10.4 Reflux of money in capitalist reproduction.

We have indicated here the first triangle with its six relationships (it is worth mentioning that L is the labour sold and from which surplus value is obtained, with respect to both I and II, and even with respect to III although it has not been included in Figure 10.4). Marx analyses many aspects of these relationships, in particular the way in which the surplus value of the productive capitals (I) is distributed to the shopkeeper (Sh). The shopkeeper's profit is a production cost of productive capital: surplus value that is not realized as profit:

In fact in his *sale* to the *shopkeeper* [Sh] the capitalist [I] does not realize the whole value of *these* commodities [C1] – the production price of these commodities, but leaves the *épiciier* to realize 1/11 of the value.
 (p. 173)

The price of production is the magnitude in money of the selling price to the consumer (= M2); while the selling price of the industrial to the shopkeeper (M3) is equal to the production cost or cost price, *plus* the average profit, *minus* the shopkeeper's profit (a transfer of surplus value from industrial capital to commercial capital).

It is obvious that, in the reproduction process, a part of profit accumulates and another part is consumed as revenue; in fact, the revenue that is realized when the worker spends his wage money (M2), which is always less than the

labour (L) in its value, is really consumed by the capital (I). Hence, in the end, the problem that Marx is interested in is:

Therefore, what is at stake here is the question of how this surplus value is realized in circulation [...] How is the surplus realized in money? How does the surplus value assume the form of a surplus of money?

(p. 189)

Now the 'circulation (*Kreislauf*) of reproduction' is extended, because the worker is not the only buyer, but also another capital (II) (pp. 200ff.). Furthermore, *more* money is necessary in order to buy *more* value (*surplus* value); here Marx is concerned with the question of 'money', the gold or silver 'producers' (p. 232; III of Figure 10.4).

Then Marx presents one of the first expositions of the 'reproduction diagram' with capitals of *class I* (means of subsistence) in relationship with those of *class II* (means of production). These pages are very important for an archaeological description of the subject matter of Book II of *Capital*.

But 'alongside these classes [of capital] the producer of the commodities which function as money, the producer of the precious metals, forms a category *sui generis*' (p. 229). In this case, his product (M5) is immediately realized and has surplus value as it emerges from the production process itself – for its realization does not need exchange as do the other commodities (p. 235). In order to be realized, it must be exchanged with the means of subsistence (C1) or means of production (C3) of the capitals I and II.

By this means, we have only indicated the relationships of flux and reflux of money among the five terms selected by Marx.

10.4 End of the 'theories of surplus value' (MECW. 33: 253–371)

In order to finish the previously imposed task, Marx now returns to point 'I', and in it to '[4] Hodgskin'. Here Marx critically confronts five authors of the 'proletariat opposition starting from Ricardian assumptions'.

We are then in Notebook XVIII, in January of 1863. The subject matter that began with the question of 'Revenue and its sources' (our section 9.4) is finished, and hence it is necessary to go back to the historical subject matter.

From Thomas Hodgskin, in his works *Popular Political Economy* (London, 1827) and *The Natural and Artificial Right of Property Contrasted* (London, 1832), and from John Francis Bray (1809–95), in his work *Labour's Wrongs and Labour's Remedy* (Leeds, 1839), Marx makes notes with an approving tone but with few commentaries.

On the other hand, to George Ramsay (1800–71), in his work *An Essay on the Distribution of Wealth* (Edinburgh, 1836), Marx dedicates more pages and shows much more respect – even though he was a clergyman of the Anglican church, like Malthus or Richard Jones. From the numerous points that Marx

studies, there are several worth mentioning. First of all, Ramsay's merit is in distinguishing clearly between constant capital and variable capital, with which he would get 'closer to a correct understanding of the rate of profit' (p. 276). On the other hand, when criticizing Ramsay, Marx again indicates the main contradiction between 'objectified labour and *living* labour' (pp. 256–7) many times in the text. This leads him to applaud, against Malthus, that 'the only competition that can affect the general rate of gross profit is that between master capitalist and the labourers' (p. 278).

On the other hand, Marx begins to use more loosely the recently clarified categories. Now he accurately uses the dialectical passage or 'the conversion of value into price of production' (p. 261). He uses the concept (and its definitive denomination) of 'price of production' three times. The same can be said of 'production cost' (p. 280).

These critiques allow Marx to explain some aspects of accumulation, reproduction, surplus value and the rate of profit, etc.

The work of Antoine E. Cherbuliez (1797–1869), *Richesse ou pauvreté. Exposition des causes et des effets de la distribution actuelle des richesses sociales* (Paris, 1840), is the object of a detailed study, especially regarding the 'material elements in which it [capital] presents itself in the labour process' (p. 285), which he confuses with capital in general. In the critique, Marx advances in his discoveries:

Which means nothing more than that the rate of profit = the ratio of profit to capital and that profit = the excess of the value of the product over its cost price.

(p. 297)

In addition, regarding Cherbuliez's text, he comments:

This is very good. Only the concluding words are wrong, namely, that the formation of the general rate of profit determines the *values* and *prices* (it should be prices of production) of commodities. On the contrary, the determination of the value is the *prius*, antecedent to the rate of profit and to the establishment of production prices.'

(p. 300)

And, on the previous page, he had written that it was necessary to clarify, in 'second chapter of Part III, on *Capital and profit*' (p. 299), the question of the 'conversion of the value into price of production; the difference between value, cost price and price of production' (p. 299).¹²

When Marx referred to the law of appropriation proposed by Cherbuliez, he announced an original principle of his thought that rejects definitely the dialectical or 'cosmological materialism', and even a productivism in the human–nature relationship as something previous to the ethical relationship of the face-to-face in community:

What does not disappear, however, is the illusion that originally men confront one another only as commodity owners and that, consequently, a person is only a property owner in so far as he is a worker. As has been stated, this 'originally' is a delusion arising from the surface appearance of capitalist production and has never existed historically. In general, man (isolated or social) always comes on to the stage as a property owner before he appears as a worker.

(p. 301)

That there is a free worker without any property at all is 'an illusion born from the pure appearance (*Schein*) of the capitalist production, an illusion that has no historical foundation' (p. 301). It is again the problem of fetishism, where the deceitful 'reality' is born from the 'pure appearance' of the circulation of commodities (p. 301). Cherbuliez fetishizes the means of production, identifying them with capital itself, and forgets that 'the products are converted into capital, *physically* converted in so far as in the labour process they function as conditions of labour, conditions of production, objects and means of labour [...] On the other hand: the labour capacity *appropriated before* the [production] process is turned directly into capital *in* the course of the process by being converted into the conditions of labour and into *surplus value*' (p. 304). Hence, living labour is the ultimate source of capital as capital (as the originator of surplus value) and not constant capital.

Richard Jones (1790–1855), in his three works: *An Essay on the Distribution of Wealth* (London, 1831), *An Introductory Lecture on Political Economy* (London, 1833) and *Textbook of Lectures on the Political Economy of Nations* (London, 1852), is very much appreciated by Marx, because he realizes the 'historical differences in modes of production' (p. 320). 'He shows that what Ricardo and others regard as the eternal form of landed property is its bourgeois form' (p. 322). Hence, let us not confuse with the nature of things the moment 'when capitalist production has become predominant (*herrschend*), when it does not merely exist sporadically, but has subordinated to itself the mode of production of society' (p. 338).

Jones also discovered that 'the essential feature of capital is its socially determined form' (p. 341). For that Marx, speaking about Jones, suddenly exclaims:

Jones [also Ramsay], on the other hand, strange that they were both priests of the *established Church*. The ministers of the English *Church* seem to think more than their continental [brethren].

(p. 345)

In fact, Jones writes, quoted by Marx:

A state of things may hereafter exist, and *parts of the world may be approaching to it*, under which the labourers and the owners of accumulated stock

may be identical [...] This may not be *as desirable a state of things as that in which labourers and capitalists are identified, but we must still accept it as constituting a stage in the march of industry.*

(p. 345)

And Marx comments:

Jones was a professor of political economy in Haileybury and *successor of Malthus*. One can see here how the real (*wirklich*) science of political economy ends by regarding the bourgeois production relations as merely *historical* ones, leading to higher relations in which the antagonism on which they are based is resolved [...] This analysis (even in Ricardo) goes so far that the *independent material form of wealth* disappears and wealth is shown to be simply the activity of human being. Everything which is not the result of human activity, of labour, is nature and, as such, is not social wealth [...] But from the moment that the bourgeois *mode of production* and the conditions of production and distribution which correspond to it are recognized *as historical*, the delusion of regarding them as natural laws of production vanishes and the prospect opens up of a *new society*, [a new] economic formation of society, to which the bourgeois mode of production is only the transition.

(pp. 345–6)

At this moment, on pp. 1,139 and 1,140 of the manuscript, Marx places, inverted, two plans: one of Chapter III and the other of Chapter I. This is another important subject that we wish to study now.

10.5 New plans for the future work (MECW. 33: 346–7)

We have already mentioned in the introduction to this book the problem of the plans up to 1859 (for other authors until the summer of 1861). We start from the letter of 28 December 1862 to Kugelmann. Marx was working hard on the content commented on in this chapter. For the first time, he names his future book.

The second part has now at last been finished [...] It is a sequel to Part I, but will appear under the title *Capital*, with *A Contribution to the Critique of Political Economy* as merely the subtitle. In fact, all it comprises is what was to make the third chapter of the first part, namely 'Capital in General'. Hence it includes neither the competition between capitals nor the credit system. [...] It is the quintessence (together with the first part), and the development of the sequel (with the exception, perhaps, of the relationship between the various forms of state and the various economic structures of society) could easily be pursued by others on the basis thus provided.

(MECW. 41: 435)

We could learn a lot from these short comments: Marx still planned to write a part about capital 'in general', and under the title: *Capital*. Chapter III (after Chapter I about the commodity and Chapter II about money) is the essential one. In fact, it will transform with time into Volume I of *Capital*. One can notice a certain reluctance to continue later with the work: 'others' could *easily* continue the work – the foundation has been expressed in book I: the question of production of surplus value. We also learn that there is the intention to continue the work with the subjects of competition, credit capital, etc. That is, at that moment, including what has already been written up to now in the *Manuscripts of 1861–63*, Marx had the following plan for his future work:

- I Capital
 - 1 Capital in general
 - a Commodity
 - b Money
 - c Capital (in general)
 - c.1 Process of production of capital
 - c.1.1 Transformation of money into capital
 - c.1.2 Absolute surplus value
 - c.1.3 Relative surplus value
 - c.1.4 Its combination
 - c.1.5 Theories of surplus value
 - c.2 Process of circulation of capital
 - c.3 Unity of both capital and profit
 - 2 Competition
 - 3 Credit
 - 4 Stock capital
- II Rent of land
- III Wages
- IV The state
- V Foreign trade
- VI World market¹³

Marx exclaims at the end of the letter to Kugelmann:

Scientific attempts to revolutionize a science can never be really popular. But, once the scientific foundation is laid, the popularization (*Popularisieren*) is easy.

(MECW. 41: 436)

In any case, the plan of January of 1863 was not possible until the question of the 'price of production' had been definitively clarified, which was achieved only between November of 1862 and January 1863. We can still see that, in the letter to Engels on 2 August 1862, Marx still speaks of 'cost price

(*Kostenpreis*)' (MECW. 41: 394–7) instead of 'price of production' (although the two terms have the same meaning):

The price so regulated = the expenses of capital + the average profit, it is what Smith called the *natural price, cost price* [...] Ricardo confuses *value* and *cost price*.

(MECW. 41: 396)

Not until he has gone deeply, thanks to the study of mercantile and commercial capital, into the question of the selling and buying price between industrial capital and commercial capital, and the passage of the product (and its *production cost* and *cost price*) into a commodity (with its price of production), does Marx have *for the first time* total clarity of these issues. It is certain that everything was possible thanks to the category of the 'average profit' discovered in the critical confrontation against Rodbertus, but only now could he take as finished the fundamental investigations that had led him to begin these *Manuscripts of 1861–63*. This evolution or archaeology in the constitution of categories has been unnoticed even by the German publishers of the *Manuscripts* (Jahn and Müller).¹⁴

Let us now look at the plans of future 'sections' I and III. From now on, we shall warn that the terminology changes: in the beginning these sections were part of 'chapter' III (about capital); 'section' III then became a short independent 'chapter' III and still later became 'volume' III. In fact, the work kept growing (see Figure 10.5).

Let us then consider the plan of January of 1863. In the outline of the first 'section (*Abschnitt*)', there are only a few notable novelties. In order to have it in mind, let us summarize it:

The first section, *production process of capital* to be divided in the following way:

- 1 Introduction. Commodity. Money
- 2 Transformation of money into capital
- 3 Absolute surplus value
 - a Labour process and valorization process
 - b Constant capital and variable capital
 - c Absolute surplus value
 - d Struggle for the normal working day
 - e Simultaneous working days [...]
- 4 Relative surplus value [...]
- 5 Combination of absolute and relative surplus value. Relation between wages and surplus value. Formal and real subsumption of labour in capital. Productivity of capital. Productive and unproductive labour.
- 6 Reconversion of surplus value into capital. Primitive accumulation. Wakefield's theory of colonization
- 7 Result of production process [...]


Plan of 1859–1861	Plan of January of 1863	Notebooks XIX–XXII	<i>Capital</i> , Volume I Sections (1872)
(3) Relative surplus value	(4) Relative surplus value	(3) Relative surplus value (1910–)	Sect. IV relative surplus value (1910–)
(4) Accumulation	_____	(4) Accumulation (2039–)	_____
	(5) Combination of absolute and relative surplus value	(h) Combination of absolute and relative surplus value	Sect. V Combination of absolute and relative surplus value
	Wage labour and surplus value	Wage labour and surplus value (2092–)	Sect. VI Wages
	Formal and real subsumption	(i) Formal and real subsumption (2126–)	Unpublished Chapter VI?
	Productive and unproductive labour	(k) Productive and unproductive labour (2159–)	Unpublished Chapter VI?
	(6) Reconversion of surplus value into capital	(4) Reconversion of surplus value (2214–)	Sect. VII Accumulation
	(7) Result of the production process	_____	Unpublished Chapter VI?

Figure 10.5 Progressive articulation of the definitive plan of parts of Volume I.

- 8 Theories of surplus value.
- 9 Theories of productive and unproductive labour' (p. 347).

There is no novelty until point '3'. Here the material is better ordered, even regarding absolute surplus value discussed in Notebook III of *Manuscripts* (our Chapter 2). Point '4' is identical to that developed in Notebooks III to V. On the other hand, the material related to point '5' discussed in Notebook III (our section 3.5) is ordered differently – and will become sections five and six of Volume I of *Capital*.

Let us now compare the plans and specific points in which there are more novelties (especially in point '5' of the plan in January of 1863).

One can observe that in Notebook XX, Marx studies the subject matter of accumulation as point 'r' – just as had been foreseen since the beginning of these *Manuscripts*. Nevertheless, the matter is seen as a continuation of the subject of relative surplus value (regarding constant capital and reproduction:

refer to section 11.3). Then, Marx begins to work on the new plan of January (point 'h': 'combination of both surplus values', and as a new point '5'; MECW. 34: 61ff.). And, more originally, slowly we pass to the matter of wages: the relationship among wages and surplus value, the value of labour capacity and the price of labour (MECW. 34: 64ff.), and this category of wages appears, for the first time, in its definitive 'place' (section VI of *Capital* I).

According to the project of January 1863, there are the subject matters of: *i.* formal and real subsumption (MECW. 34: 93ff.), and *k.* productive and unproductive labour (MECW. 34: 121ff.), in order to later explain 'reconversion' of surplus value into capital (in January's plan with number: '6'; in Notebook XXII with the previous number '4'). What is interesting is that, in the future manuscripts of 1863–5, the '*Unpublished Chapter VI*' makes direct references to the question of formal and real subsumption, and to productive labour. Is not this 'Chapter VI' really points 'i' and 'k' of '5', and not point '7' under the title of 'Result of the production process'?¹⁵

Point '6', item '4' of Notebook XXII (MECW. 34: 178ff.) of these *Manuscripts*, will be discussed later in Section 11.3. Point '7' was not discussed in these *Manuscripts*, but will be in the so-called *Manuscripts of 1863–65* (from August of 1863 to December of 1865).¹⁶

As one can observe, at this point the 'theories of surplus value' were still point '8' of this volume, and it differed from the 'theories of unproductive and productive labour' to which indeed many pages have been dedicated in these *Manuscripts* (our Chapter 6).

The important issue regarding the definitive Volume I of *Capital* is that the question of wages is placed not as 'part III' (after 'capital in general' and 'rent'), or at the end of Section III, point '12': 'Capital and wage labour', but instead as 'Section VI' of Volume I of *Capital*. Why did Marx change his plan? This would be one of the questions to explore when we study, in other works, these aspects of *Capital*.¹⁷

It is worth noting, on the other hand, that he has not included a plan for the second section. In fact, he had studied deeply the question of *circulation* (capital money, productive capital, commodity capital, time and circulation costs, transportation, fixed and circulating capital), and especially the *reproduction* of capital (a crucial question in many aspects of the Notebooks of these *Manuscripts*, especially since Notebook VI – our section 5.4). Nevertheless, apparently Marx still did not see this matter clearly. We have to wait to study this question in the *Manuscripts of 1863–65*, and even later than 1870 – especially in *Manuscript II* and *VIII* (the latter in 1878)¹⁸ of Volume II of *Capital*.

What is certain is that the most original part of this plan of January of 1863 is found in 'section III', which shows that this is the level where Marx had really advanced the most:

The third section: *Capital and profit*, to be divided in the following way:
 (1) Transformation of surplus value into profit. Rate of profit as

distinguished from rate of surplus value. (2) Transformation of profit into average profit. Formation of the general rate of profit. Transformation of values into price of production. (3) Adam Smith's and Ricardo's theories on profit and prices of production. (4) Rent. (Illustration of the difference between value and price of production). (5). History of the so-called Ricardian law of rent. (6) Law of the fall of the rate of profit [...] (7) Theories of profit [...] (8) Division of profit into industrial profit and interest. *Mercantile capital*. (9) Money capital. Revenue and its sources. [...] (10) *Reflex* movements of money in the process of capitalist production as a whole. (11) Vulgar economy. (12) *Conclusion. Capital and wage labour*. (MECW. 33: 346–7)

As one can see, both in points '8' and '9' and in the first section already written (the future Volume I of *Capital*) appear many historical subjects of the 'theories of surplus value' (subjects 3, 5, 7 and 11). Until this moment, Marx was thinking of taking advantage of his critical confrontations and included them in the plan. All the other subjects sketched here were studied in the *Manuscripts of 1861–63*, in one way or another.

On the other hand, one can also see that the heart or marrow of all this plan can be found in point '2'. Marx called it 'chapter two of third part' (MECW. 34, p. 299); that is, these 'points' were, for Marx, acquiring the status of 'chapters'. In the fifth point, the 'transformation' of *value* into *price of production* is studied: the fundamental question of all these *Manuscripts*, and the predecessor of Volume III of *Capital*.¹⁹

If the points that correspond to a more historical study (the aforementioned points 3, 5, 7 and 11), were eliminated, we would have approximately the subject matters of the sections that Engels respected in the published edition of book III of *Capital*. The third section of Engels is point '6'; the fourth section is point '8', which also includes the subject of the fifth section; the sixth section is point '4',²⁰ and the seventh is point '9'. It is a big advance compared to the *Grundrisse*.

On the other hand, in a letter to Engels of 15 August 1863, Marx already talks about the necessity of a 'historical part' (MECW. 41: 488); that is, he begins to think about extracting out of the plan all the material corresponding to the 'theories of surplus value'. But only on 31 July 1865 does he speak for the first time of the necessity of a historical Volume IV (MECW. 42: 173). This confused not only Kautsky, but also a great part of the Marxist tradition, about the epistemological statute of Notebooks VI–XV of these *Manuscripts*. The possibility of a Volume IV of *Capital* is a very different question, and these Notebooks were not such a history. In fact, and it is an essential moment of 'science', there were neither a historical exposition, nor 'theories (nor theory) of surplus value'. They constituted rather a field of *critical* confrontation where Marx made the general critique of the entire system of the economic categories (cf. section 9.3).

In a letter to Kugelmann of 13 October 1866 Marx said:

And there will now probably be three volumes. The whole work is divided into the following parts:

Volume I The process of production of capital. [Book I]

Volume II The process of circulation of capital.

Volume III Structure of the process as a whole. [Book II]

Volume IV On the history of the theory [Book III]

(MECW. 42: 328)

It is well known that Marx only wrote Volume I (Book I) for publication. Hence, all the other volumes should be methodologically considered as non-existent and one should make references in the future, exclusively, to the *Manuscripts* of Marx themselves. Engels' and Kautsky's editions (of Volumes II and III of *Capital* edited in the nineteenth century, and the old *Theories of Surplus Value*) should be studied in order to know the thoughts of these two authors, but not Marx's own.

11 New clarifications for ‘Chapter I’

Notebook V, pp. 211–19 and
Notebooks XIX–XXIII, pp. 1,159–1,472;
from January to July 1863
(MECW. 33: 372 – MECW. 34: 336)

Here too past labour – in the automaton and the machinery moved by it – steps forth as acting apparently in independence of [living] labour, it subordinates labour instead of being subordinate to it, it is the iron man confronting the man of flesh and blood.¹ The subsumption of his labour under capital – the absorption of his labour by capital – which lies in the nature of capitalist production, appears here as a technological fact. The *keystone of the arch* is complete. Dead (*totd*) labour has been endowed with movement, and living labour only continues to be present as one of dead labour’s conscious organs. The *living connection* of the whole workshop no longer lies here in cooperation; instead, the system of machinery forms a unity, set in motion by the *prime motor* and comprising the whole workshop, to which the living workshop is subordinated, in so far as it consists of workers.

(MECW. 34: 30)

In January 1863, Marx dealt once again with the question of technology; he re-read his *Technological–Historical Notebook* of 1851,² and what he had previously written in the *Grundrisse*,³ everything regarding relative surplus value that he had been working on under number ‘3’ (point ‘4’ would include the issue of accumulation, which we shall discuss in section 11.3), and which we have discussed in section 3.4. We refer the reader to this in order to remember the interruption of Notebook V on p. 211 of the manuscript, since the *Time* of 26 November 1862 is quoted (MECW. 34: 372), as we have indicated before.

These final Notebooks, from XIX to XIII, can be considered as a fourth part in the writing of the *Manuscripts of 1861–63* and they discuss four main subjects: the question of technology in the extraction of relative surplus value (section 11.1); matters related to accumulation, reproduction and the return of money to capital (section 11.2); the issues of wages, subsumption and labour productivity (section 11.3), and, in various places, the historical study, starting from Petty’s epoch, of over sixty-five authors (section 11.4). This can be seen in Marx’s plans (which are no more than mere indexes, because sometimes he does not follow them regarding the content of the

Notebooks) which he copies at the beginning of his *Notebooks*. For example, in *Notebook XXII* he writes: 'The system of colonisation' (MECW. 34: 7), but he does not deal with the question. While the large list of sixty-five authors placed at the beginning of *Notebook XXIII* serves as an index for the subject matters discussed, he studies more authors, and not in the indicated order.

We can say, in general, that he deals here with questions relating to the future *Book I* of *Capital*, but not exclusively. In any case, Marx ends the twenty-three notebooks worried by the necessity of bring his 'book' to life – so demanded of him by Engels – and which he promises as almost ready ... but he knows perfectly well that he is far from finishing it, although he writes that, he will very soon take 'the thing [the book] to Germany' (MECW. 41: 474).

11.1 Relative surplus value: revolution of the 'mode of production' or 'technological truth' (MECW. 33: 72–MECW. 34: 11)

Marx's 'materialism' (productive and not cosmological)⁴ performs here all its functions. The subject is the 'mode of production', so badly treated in recent times. In Chapter 3 we discussed the subject of relative surplus value and the question of the subsumption of machinery in the production process. But there it was treated in a more *formal* or economic way (since the rate of surplus value increased, although the value of each product decreased). Here, instead, Marx changes the level, and analyses the question rather from a *material* and technological point of view, and, thanks to that, he discovers at this *material* level the difference between 'instrument (*Werkzeug*)' and 'machine', which is specifically a technological question, but which shall determine also an economic revolution of the 'mode of production (*Produktionsweise*)'.

In the *Grundrisse*, Marx had spoken of 'modes of consumption', 'modes of distribution', 'modes of exchange', and also 'modes of production'. The latter are 'modes' of labouring, of producing; they are 'methods' or techniques of the 'labour process'. It is the *material* moment (regarding the accomplishment or making real the fruit or the product of labour) always linked to technique, technology, the proceedings of the productive process of the use values of manufactured things. It has been very harmful to identify 'mode of production' with the structural totality of the capitalist system (L. Althusser)⁵ or with capital itself, constituted, according to this interpretation, by diverse 'instances' (economic, political, or ideological: where would be the 'technological instance', so essential for Marx? Would this structuralism be an anti-materialist, anti-technical or anti-technological idealism?). There is nothing of the sort in Marx. Marx considered the 'mode of production' in a precise way, although this concept has been frequently distorted.⁶ Already in 1842 he had written:

The same as all determined *mode of living* (*Weise des Lebens*) is the mode of living (*Lebensweise*) of a determined nature.

(Marx and Engels 1956, Vol. 1: 69)

In 1845, in the *German Ideology*, he wrote:

[Human beings] themselves begin to distinguish themselves from animals as soon as they begin to produce their *means of subsistence* (*Lebensmittel zu produzieren*). [...] The way (*Weise*) in which men produce their means of subsistence depends first of all on the nature of the means of subsistence [...] This mode of production (*Weise der Produktion*) [for the first time appears this denomination] [...] is a definite form of expressing their life, a definite *mode of life* (*Lebensweise*).

(MECW. 5: 31)

It follows from this that a certain mode of production (*Produktionsweise*) [now writes the concept denomination in a definitive mode] or industrial stage, is always combined with a certain mode of cooperation, or social stage.

(MECW. 5: 43)

In *The Poverty of Philosophy* (1847), he returned to this subject:

Machinery is merely a productive force. The modern workshop, which is based on the application of machinery, is a *social production relation* (*gesellschaftliches Produktionsverhältniss*), an economic category.

(MECW. 6: 183)

Even in the *Manifesto*, he refers to this subject:

Owing to the extensive use of machines and to division of labour, the work of proletarians has lost all individual character, and, consequently, all charm for the workman.

(MECW. 6: 490)

Notwithstanding the social form, the working process is the immediate relationship between human beings and nature, material action *par excellence*. Subsumed in capital, the working process *as capital* produces surplus value: this double moment constitutes the 'capitalist mode of production'. Marx analyses in these Notebooks V, XIX and XX the material changes in the 'mode of production' and, especially, the 'revolution in this part of constant capital' (MECW. 33: 376), which, on the other hand, also produces a 'revolution [...] in the relations of production' (MECW. 33: 442). To order the exposition, we will discuss the issue of the change in the 'material base' or the 'technological base' (MECW. 33: 444)⁷ in three moments: the 'craftsman

workshop', 'manufacture' and the 'great industry' (which can be divided into 'mechanical workshop' and 'automatic workshop'). Let us discuss these parts, but from a central hypothesis:

It must above all be noted that what is involved here is not a precise technological separation, but such a revolution in the means of labour employed as to transform the mode of production (*Produktionsweise*) and therefore the relations of production; thus it is something characteristic of the capitalist mode of production in particular.

(MECW. 33: 389)

While writing these lines, Marx thinks about the passage from instrument to machine. Namely, the technological revolution (and, consequently, scientific revolution) has a direct relationship with a revolution at the level of the 'mode of production' (MECW. 34: 107–8, 27, and 29–30)⁸. In fact, in the 'craftsman workshop', the 'handicrafts production (*Handwerksbetrieb*)' (MECW. 33: 481) is based on the artisan's skill, as in the urban corporations of the Middle Ages:

One would then find that the system of corporations and guilds, constantly suffering setbacks in the struggle against imperial and feudal power, constantly reasserts itself afresh against it. Only when the material basis – the technological basis of organisation – had ceased to be dominant, when it had therefore lost its revolutionary and *ascending* character, when it had ceased to be appropriate to the epoch and entered into conflict, partly with manufacture, partly, later on, with large-scale industry, did it start to be protected, as a reactionary element, by reactionary governments and the estates in alliance with them.

(MECW. 33: 444)

Manufacture, on other hand, is a time of transition (see Figure 11.1):

In manufacture – considered as a whole – the individual worker forms a living part of the machine as a whole, i.e. the *workshop*, which is itself a mechanism consisting of human beings.

(MECW. 33: 488–9)

In manufacture the *tasks* are divided into a hierarchy of abilities and strength, depending on what is required to *make use* of the instruments, and on whether the skills demanded for this are easier or harder to achieve.

(MECW. 33: 487)

The *formal* difference between the handicraft or craftsman workshop (artisans and apprentice workshop) and capitalist manufacture is that the latter produces surplus value. But, *materially*, there is no difference regarding the

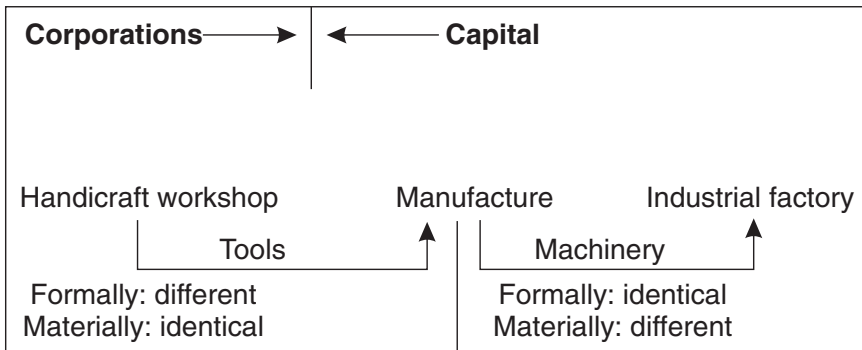


Figure 11.1 Dialectical transformation from handicraft workshop to manufacture and industrial factory.

instruments or means of production, although 'simple cooperation' reorganises production (in order to increase surplus value by reducing necessary time). But Marx's interest in these Notebooks is to study the passage from manufacture to the 'mechanical workshop', to capitalist 'industry' proper.

In this case, the difference is not *formal* (both obtain surplus value), but is located at the *material* level: a new 'method' (Marx says frequently) of technological production. In manufacture, 'instruments' are used; in the factory or mechanical workshop 'machines' are used (MECW. 33: 387ff.): 'Division of labour and mechanical workshop. Tool and machinery,' writes Marx as the title for this subject matter.

The 'technological revolution' or 'material basis (*Basis*)' which makes possible the full constitution of the capitalist 'mode of production' is the dialectical passage from 'tool' to 'machinery'. This is the materialistic discovery with which Marx is so happy in January 1863.

In fact, technologically, Marx asks himself:

With the above, there is now an answer to the question of what distinguishes a machine from a tool. Once the tool is itself driven by a mechanism, once the tool of the worker, his implement, of which the efficiency depends on his own skill, and which needs his labour as an intermediary in the *working process*, is converted into the tool of a mechanism, the machine has replaced the tool.

(MECW. 33: 423)

In order to arrive at this discovery, Marx carefully reread (and abundantly copied in Notebook XX) quotations from his *Historical Technological Notebook* of 1851.⁹ In 1851, however, the revolutionary importance of this subject for the capitalist 'mode of production' had not yet been considered. Marx insists

that the dialectical passage from tool to machinery is not the motor (notwithstanding its significance and even if it replaces human power), but that is able to perform the human transformation movements in the working process; namely, *it can handle tools* without any human participation. Movement, manoeuvres, handling of the tool in a mechanical and not human form, is the material essence of the revolution of 'mode of production'. By means of this revolution, the mode of production, materially (of the product and its use value) and formally (because it produces surplus value by means of labour) is essentially capitalist for the first time, now it *really* subsumes living labour: formal and material subsumption.

In manufacture, when the material level has not been essentially transformed, the labourer was *formally* subsumed;¹⁰ now, having changed the *material* structure, it is *really* subsumed. Thus, the 'social relation of production' itself changes. Marx shows that the *social* character (isolated)¹¹ of capitalist labour now is intensified, assured and firmly established in the relation of 'labourer–machinery', the material or 'harsh' face of the 'social' relation labour–capital:

It is precisely the characteristic features of capitalist production that while even the *social* (*gesellschaftlich*) characteristics of labour which raise its productive power appear as a force *alien* (*fremd*) to labour itself, as *conditions* lying outside it, as qualities and conditions not belonging to labour itself – for the worker always continues to confront capital as an isolated (*vereinzelt*) individual, standing outside the social connection with his fellow workers – this is still more the case, *prima facie*, with the *objective* conditions of that social labour.

(MECW. 33: 478)

In other words, in the factory, the machine consummates the constitution of 'anti-communal' labour, the isolation of the labourer as a solitary human being. It consummates the 'fetishism' (MECW. 33: 109) of capital in the machinery, as a *thing* that confronts the labourer (instead of the capitalist person):

In the mechanical workshop, on the other hand (i.e. the workshop considered here, which has developed into a system of machinery), human being is a living accessory to its aggregate body, which exists outside him in the shape of the machine, and to the automatic machinery. Yet the machinery as a whole consists of machines, which form parts of that whole. Here human beings are merely the living accessories, the conscious appendages, of the unconscious but uniformly operating machinery.

(MECW. 33: 489)¹²

Marx then criticizes the 'passivity' to which the labourer is subject in the annihilation of the subjective skill of the specialist, the fatal boredom

imposed on him by the machine. It is the definite, *real* domination of 'past, objectified labour' (machinery as *capital*) over 'living labour': of 'death' over 'life'. Now it can be understood why he wrote to Engels the letter of 28 January 1863:

Rereading my technological and historical excerpts has led me to the conclusion that, aside from the invention of gunpowder, the compass and printing – those necessary prerequisites of bourgeois progress – the two material bases on which the preparatory work for mechanized industry in the sphere of manufacturing between the sixteenth and the mid-eighteenth century, i.e. the period during which manufacturing evolved from a handicraft to big industry proper, were the clock and the mill (initially the flour mill and, more specifically, the water mill), both inherited from Antiquity. [...] The clock was the first automatic device to be used for practical purposes, and from it the whole theory of the *production of regular motion* evolved.

(MECW. 41: 450)

11.2 Relationship among the types of surplus value. Formal and real subsumption. Productive labour and fetishism (MECW. 34: 61–170)

From the end of Notebook XX to the first page of Notebook XXII, Marx seems to find himself going in two directions: the former plan ('accumulation' was item '4') and the new plan of January 1863 – as we have seen in section 10.5, Figure 10.5. In these pages, he analyses five questions. First, item 'h', the relation between relative and absolute surplus value (pp. 61ff.), to which he devoted only one page and which he had studied thoroughly before (our section 3.1). Second, the subject of the 'relation between wages and surplus value' (pp. 64ff.); note that in the 'plans' Marx wrote 'wage labour (*Lohnarbeit*)', while here, surprisingly, he writes 'wages (*Arbeitslohn*)' – a topic which has not been *noticed* until the present time, and which indicates the first treatment of the issue of wages in this *systematic place*. It is followed by important distinctions regarding the 'value of labour capacity or price of labour' (pp. 70ff.). Third, item 'i', he addresses again the question of 'real and formal subsumption of labour under capital', but now in a more profound manner (pp. 93ff.). Fourth, item 'k', and following the January 1863 plan step by step, he studies the subject of the 'productivity of capital, productive and unproductive labour' (pp. 121ff.). We must note that, strangely, there were two places to deal with this question in the plan: here and as item '9'. Fifth, an appendix with many excerpts (pp. 146ff.) which refer to the subjects discussed.

In the first item, Marx insists that relative surplus value – especially thanks to machinery – not only does not eliminate but also increases absolute surplus value: the working day can increase absolutely and, in addition,

relatively, due to a higher productivity. But, at the same time, at that point he *discovers* the place of this category in the 'development of the *concept*' of capital (or its *systematic* 'location'), the value of labour capacity decreases, namely, 'average wages (*Durchschnittsarbeitslohn*)' fall (p. 64); and so we pass to the second item.

When 'necessary time' falls (and also the value of food due to technological change), more 'surplus value' is obtained and the 'value of the labour capacity' falls. In other words, the fall of the 'value of the product' (which, as we say, lowers the reproduction cost of the labour capacity) (p. 65), makes the 'average wage' decline. Wages, contrary to what many believed, do not have a 'constant magnitude (*constante Grösse*)' (p. 65), but fall or rise like any other commodity. In exchange, wages are equal to another aspect of reality.

Marx clarifies:

So far we have not spoken of the *value of labour* but only of the *value of labour capacity*, since a direct exchange of more labour for less would contradict the law of commodity exchange [...] labour as process, *in actu*, is the substance (*Substanz*) and measure of value, not value. Only as *objectified* labour is its value.

(p. 71)

It is one of the clearest and even newer expressions due to its philosophical accuracy (the concept of 'substance' here is strictly Hegelian: as a *real thing*, cause, producer of a real consequence: *the effect*, in this case, *value*). I personally believe that Marx thought his greatest discovery was the category of surplus value or the distinction between abstract and concrete labour, but both discoveries depend on the following (which I affirm was the most important of all, and of which Marx himself perhaps was not fully aware): the difference between *living* labour, *substance* 'of' value 'without' value, and *objectified*, labour 'with' value. But the fact that living labour has no value does not mean that 'labour capacity' – reproduced by the consumption of commodities: food, dress, housing, etc. – does not have a value either. In fact, labour capacity has a (variable) value, and thus the 'value of labour capacity' has a 'price': metaphorically, the 'price of labour (*Preis der Arbeit*)' (pp. 70ff.).

We know that 'price is at the outset merely the monetary expression of value' (p. 72). Hence, wages are the price of the value of labour capacity, strictly speaking, and consequently and *improperly*, the 'price of labour' (in truth, living labour cannot have a price, because it has no value). If we add to the foregoing other related moments (surplus value, variable capital, surplus labour and necessary time) (pp. 78ff.), we already have the fundamentals for a Marxist theory of wages, which here – as in *Capital* – was never developed as a separate part, but was studied (as rent, credit, etc.) as was required to clarify the '*concept* of capital' in general, in abstract, in its essence.

After this historical intermezzo, let us discuss the third item. The subsumption issue has been treated up to this point at least on two occasions (sections

3.2–3.4 and 11.1), and always in relation to the technological revolution in the process of production:

The first formal act of exchange of money and labour – or capital and labour – is only potentially the appropriation of alien living labour by objectified labour. The real appropriation process first occurs in the real production process, which is preceded by that first formal transaction in which capitalist and worker confront each other purely as commodity owners, relate to each other as buyer and seller.

(p. 153)¹³

In this *real* appropriation, materially existing in the concrete production process (in manufacture or the industrial factory), *formal* (which has nothing to do with the 'formal exchange' in the text quoted above) or *real* subsumption takes place. This aspect has already been analysed here, and Marx himself summarizes the positions he has reached. Thus, we only quote a central text:

The real subsumption of labour under capital is development in all the forms which produce relative, as opposed to absolute, surplus value.

(p. 105)¹⁴

Having clarified formal subsumption (in manufacture and in the form of obtaining absolute surplus value), we shall recall only a few aspects of *real* subsumption:

With the real subsumption of labour under capital, all *the changes* we have discussed take place in the technological process, the labour process, and at the same time there are changes in the relation of the worker to his own production and capital – *and finally*, the development of the productive power of labour *takes* place, in that the productive forces of social labour are developed, and only at that point does the application of natural forces on a large scale, of science and of machinery, to direct production become possible. Here, therefore, there is a change not only in the formal relation [*formal subsumption*] but in the labour process itself. On the one hand the capitalist mode of production – which now first appears as a mode of production *sui generis* – creates a change in the *shape* (*Gestalt*) of material (*materiell*) production. On the other hand this change in the material shape forms the basis for the development of the capital relation, whose adequate shape therefore only corresponds to a particular level of development of the material forces of production.

(p. 106)

As we mentioned above, this is the core of Marx's materialism – 'scientific' materialism, if the meaning of *science* according to Marx is understood (see

Chapter 12). In fact, this is the immediate continuation of what was discussed in Section 11.1: the technological revolution of machinery in the industrial factory makes possible a change in the *social relation* between capital and labour.

There is an excellent description of the artisan (*handicrafts craftman*) and manufacturing (pp. 96ff.) where the loss of 'autonomy' of the producer subject as an appendage to the machinery, is shown. And this is, precisely, what Marx studies regarding productive and unproductive labour:

Since living labour is incorporated into capital – through the exchange between capital and the worker – since it appears as an activity belonging to capital, as soon as the labour process starts, all the productive powers of social labour present themselves as productive powers of capital, just as the general social form of labour appears in money as the quality of a thing. Thus the productive power of social labour, and the specific forms of it, now present themselves as productive powers and forms of capital, of *objectified* labour, of the objective conditions of *labour*, which – as such an independent entity – are personified in the capitalist and confront living labour. Here once again we have the inversion of the relation, the expression of which we have *already* characterized as *fetishism* in considering the nature of money.

(p. 122)

The labourer is no longer a subject and is only a moment of capital. Fetishism, in the last instance, is for the labourer himself: his own labour belongs to *capital*:

The separation already in fact exists; this separation of property from labour [...] The *alien property* of the capitalist in this labour can only be abolished by converting his property into the property of the non-individual in its independent singularity, hence of the *associated, social individual*. This naturally brings to an end the fetishistic situation when the product is the proprietor of the producer [...] the contradiction which falsifies them all and presents them as mutually opposed.

(p. 109)

Productive labour is interpreted as produced, dependent.

11.3 Accumulation or the reconversion of surplus value into capital (MECW. 34: 11–61, 178–247 and 327–9)

To speak of 'return', or 'reflection' – to express ourselves like Hegel – or of 'reconversion (*Rückverwandlung*)', not of money (that would be the subject matter of Chapter III, after Book III of *Capital*),¹⁵ but of the 'surplus value' poured into the channel of the river of capital, is like an inverse relation, and

thus Marx analyses this subject in the same manner as the subject of the transformation of money into capital at the beginning of all the research (our Chapter 1).

On the other hand, paradoxically, Marx studies the issues in an inverse order compared to *Capital*. *Primitive accumulation* is at the end (pp. 243ff.; 327ff.); the essential problem of accumulation in the second place (pp. 178ff.); and in first place, and it should have been the last (but this explains his order because Marx was discussing relative surplus value and machinery), accumulation *as reproduction*, and especially as expanded reproduction of the constant capital or machinery (pp. 11ff.). Nonetheless, we shall comment on the three parts in their logical order.

A few final pages regarding 'primitive accumulation' (pp. 327–29)¹⁶ remind us that we presuppose the 'capitalist mode of production as historically given', as presupposition of 'the social relationship, the production relation' between 'capital and labour as wage labour'. And such presuppositions are 'continuously reproduced'. Yet, historically:

The development of capital does not begin with the creation of the world, it does not begin *ab ovo*. Only in the 16th and 17th centuries does it in fact begin to be something which dominates the world and seizes hold of the whole economic formation of society. This is its infancy. Therefore, we only need to go back to conditions in the very recent past. The capitalist mode of production in fact only attains a full development with *large-scale* industry, and therefore dates in its totality from the last third of the 18th century (even if it was still only sporadically developed).
(p. 327)

Evidently, the accumulation of the first money, as a hoard, could not have been an effect of the capitalist mode of production, but it was not either, as Proudhon believed, a pre-economic accumulation, or 'outside the economic realm (*ausserökonomisch*)', but, simply, 'pre-bourgeois', as in the case of the private ownership of land.

In second place, and now commenting on the central issue of the 'reconversion' of surplus value into capital (p. 178), Marx writes:

The first result of the capitalist production process – of the absorption of unpaid labour or surplus labour by capital in this process – is that the *product* contains a higher value than the capital contained before its entry into the process.
(p. 178)

But the question remains:

How, then, is the surplus value converted into capital? The conditions of this process will be examined in more detail in the next *section*. Here we

shall only establish the purely formal aspect [...] The surplus value is not distinguished in any way from the original capital in so far as it is considered from the material (*stofflich*) point of view. It is *the same* product.
(p. 180)

The difference is not *material* but '*formal (formell)*' (p. 180). In the second case, it includes, not only paid, but also *unpaid* labour (p. 180). A portion of the value of the product corresponds to the 'means of labour' and another to 'labour capacity' (p. 182). In any case, accumulation has an exclusive subject:

It was the *surplus value* alone which represented alien *unpaid* labour appropriated by the capitalist. Now the second process [the first one was performed at the beginning] *capital* itself, the money that is converted into capital anew, appears as *objectified alien unpaid* labour which serves as a means of appropriating more surplus labour.
(p. 183)¹⁷

The difference between 'primitive accumulation' and 'capitalist accumulation', properly speaking, is that the latter appropriates 'alien unpaid labour (*unbezahlte fremde Arbeit*)':

Now, in this second process, *capital* itself, the money that is converted into capital anew, appears as *objectified alien unpaid* labour which serves as a means of appropriating more surplus labour.
(p. 183)

While, formally (in its abstract essence), surplus value becomes capital, the issue has to be treated here (the first chapter or Volume I of the future *Capital*) and since surplus value appears as profit, and thus is realized money, it has to be treated subsequently (in the 'next section (*Abschnitt*)' or chapter (p. 180).

Marx must return then, due to the logic of the dialectic discourse, to the radical face-to-face¹⁸ confrontation of capital–labour, capitalist–labourer, but no longer at the moment in which labourer sold his subjectivity as the creative source of value (before the contract or 'subsumption').¹⁹ Now alienation is not of a subjectivity as labour, but of its product, as the product which is the objectification of his life, of 'living labour': surplus labour, surplus value, surplus product. Not a subjective alienation (subsumption), but an objective one (accumulation of his being, his life: alienation):

This process of the realization of labour is at the same time the process of its de-realization. It posits itself objectively, but it posits its objectivity (*Objektivität*) as its own non-being (*Nichtsein*), or as the being of its non-being (*das Sein ihres Nichtseins*) – the being of capital. It returns back into

itself as the mere potentiality of positing value or of valorization, because the totality of real wealth, the world of real values, and equally the real conditions for its own realization, are posited as independent existences facing it. It is the potentialities resting²⁰ in living labour's own womb which come to exist as realities *alien* (*fremd*) to it, which constitute wealth in opposition to it.

(pp. 202–3)

As one can see, Marx here expresses, with a greater precision and an explicit philosophical and ontological standing, the youthful themes of *Manuscripts of 1844*; but then they were only 'intuitions', now they are the 'development of *concept*', by 'scientific', dialectical categories. It is one of the best ontological texts of Marx.²¹

Everything begins with the 'absolute separation between property and labour', and thus:

The independent being-for-itself (*Fürsichsein des Werths*) of *value* in the form of *money* (as value) or materially in the form of *productive capital*, [...] – hence its being (*Dasein*) as capital – the *separateness* (*Fremdheit*) of the conditions of labour vis-à-vis living labour capacity [...] this absolute separation between property and labour, between value and value-creating activity – hence also the fact that the content of labour is alien to the worker himself – this *separation* now appears as the *product* of labour itself, as the objectification of its own moments.

(p. 201)

Marx, as philosopher, shows all his genius in expressions he likes to repeat constantly:

The objective conditions of living labour appear as *separate values*, become *independent* as against living labour capacity as subjective being (*Dasein*) [...] What is reproduced and newly produced is not only the *being* (*Dasein*) of these objective conditions of living labour but *their being as alien* (*Fremdes Dasein*) to the worker, as independent values, i.e. values belonging to an alien subject, confronting this living labour capacity. The *objective* conditions of labour gain a *subjective* existence as against living labour capacity [...] living labour itself appears as *alien* (*fremd*) vis-à-vis the living labour capacity whose labour it is, whose life it expresses (*Lebensäußerung*).

(pp. 243–5)²²

Once accumulation is ontologically regarded as the moment of negation of the worker, it becomes his *real* annihilation, his objective alienation. He 'is alienated (*wird entäußert*)' by the fact that his product 'appears as *alien property*, as the product of the worker's labour *which has become independent vis-à-vis* him,

the *personification of his past labour*' (p. 214): the person of the capitalist as the appropriating subject of surplus value, the *subject of accumulation*. Or, in other words:

The right of property on the side of capital as *dialectically* transformed into the right to alien products or into right of property in alien labour, the right to appropriate alien labour without equivalent; and on the side of the worker it is transformed into the duty to relate himself towards his own labour and its product as *alien property*.

(p. 233)

Third, we shall now speak of the first treatment of the accumulation issue (pp. 11ff.); since accumulation is the return or the 'reflection' of surplus value into capital (as increased surplus capital), at the same time (materially, not formally) it is the reproduction process. Among other subjects, Marx deals here with the growing, increasing reproduction, of constant capital; namely, as 'increase of productive power' (pp. 11ff.) or as 'reduction of necessary time' (pp. 18ff) or 'de-valorization of labour capacity' (pp. 11ff.), and all thanks to the 'application of machinery' (pp. 27ff.). Such a 'revolution in the mode of production' had already been analysed in the *Grundrisse*.²³ Now the contradiction capital–labour comes to a culminating moment:

Here the antithesis between capital and wage labour develops into a complete contradiction, in that capital appears as a means, not only of depreciating living labour capacity, but of making it *superfluous*; completely superfluous for particular processes, but on the whole as a means of *reducing into the smallest possible number*. Necessary labour is directly posited here as superfluous – *overpopulation* [...] Here, therefore, we have, in a concentrated expression, the alienated form which the objective conditions of labour – past labour – assume against living labour; here we have it as a direct antagonism, in that past labour, hence the general social powers of labour, including natural forces and scientific knowledge, appear directly as weapons, used partly to throw [...] the worker [... is] posit him as a *surplus subject* [*Surplussubject*].

(pp. 28–9)

As surplus value accumulates by reversion into capital, as expanded reproduction, constant capital proportionally grows with respect to variable capital; when the organic composition increases, 'the prices of commodities' (p. 19) tend to fall – due to their declining value. Machines face living labour as 'iron human beings' (p. 30): it is 'the domination of *past labour over living labour*' (p. 31). The 'social truth' of capital is the relation between capitalist and labourer. While 'technological truth (*technologische Wahrheit*)' (p. 31)²⁴ is the expression of the most violent confrontation:

'real subsumption' of the labourer by capital mediated by machinery, technology, science.

In fact, Marx deals here extensively with the subject of 'exploitation of science, of the theoretical progress of humankind. Capital does not create science; but it exploits it, appropriates it to the production process' (p. 33). Marx develops the theoretical basis of the so-called scientific and technical revolution:

It is the capitalist mode of production which first puts the natural sciences to the service of the direct production process, while, conversely, the development of production provides the means for the theoretical subjugation of nature. It becomes the task of science to be a means for the production of wealth; a means of enrichment. This is the first mode of production where practical problems are posed which can only be solved scientifically.

(p. 32)

Here Marx discusses texts which he will later use in *Capital*, such as the quotation from *Time's* edition of 24 March 1863 (pp. 49–51).²⁵

11.4 Critical–historical readings from Petty (MECW. 34: 146–78, 247–327, and 329–36)

During May 1863, Marx worked on his Notebook XXII (which chronologically starts with the historical considerations about 'our friend Petty') (p. 170); while working on Notebook XXIII (p. 1,407 of the manuscripts, in p. 261) he writes: 'June 63'; shortly after he uses *Time's* edition of 2 July (p. 315). Once the London summer was advanced, after performing a work which took two years, Marx hastens and copies quick excerpts, working cards, regarding several subjects related to the issues studied. Apparently his plan was to read sixty-five authors. He dealt with many more, however. It is impossible to follow here Marx's path step by step. We shall make only some general remarks.

It must be noted, on the other hand, that Marx frequently copied from his *Zitatenheft*, or his *Notebooks A–H (Exzerptheft)*, or even from others (as when he says: 'Thick Notebook, page 98').

From William Petty, whom he had discussed in the *Contribution* (1859), he now studies his work *A Treatise of Taxes and Contributions* (London, 1667). According to Marx, Petty expresses the theory of population better than Malthus (pp. 170ff.), and also his theory of differential rent is more complete than that of Smith (p. 172–6). Petty 'first asks himself: what is value?' (p. 172), and he answers that it is the 'natural price' of all products or commodities produced within a 'short time'. Then, what was produced within the 'same time' (p. 172) has the same value. In this way, the 'value of labour' is measured by the 'necessary means of subsistence' (p. 172).

Pages later, in Notebook XXII, Marx returns to the same subject (p. 247) and compares Petty with Dudley North (1641–91) – of whom he studies *Discourses upon Trade*, London, 1691 – and with John Locke – in this case he refers to his work *Some Considerations of the Consequences of the Lowering of Interest* (1691; London, 1851). North is right more than Locke regarding the issue of the nature of interest. Petty, on the other hand, is right on many other issues, e.g. identifying ‘labour [...] as the source of value’ (p. 248), and, in addition, ‘value as the form of *social* labour’ (p. 248). He analyses two more works of Petty (*An Essay Concerning the Multiplication of Mankind*, 1682, already commented on in the *Contribution* (1859), and *Political Anatomy of Ireland* (London, 1691).

Immediately thereafter, he starts an enormous list of authors from whom he extracts some elements, for partial considerations: on rent (pp. 251ff.), on surplus value in reference to constant and variable capital (p. 254), on the value of labour (p. 254), etc. We wish only to recall that at a certain time, criticizing Nicholas Barbon (1640–98), Marx wrote: ‘Value is not absolute or inherent’ (p. 303), against what Barbon wrote, that ‘one is inclined to regard value as an *absolute quality*, which is inherent in things, independently of the judgment we form’ (p. 303). In another moment, he speaks of a ‘capitalist ideology’ (p. 323), not a frequent expression in Marx; or of the ‘free fertility of the soil – which is: the essence of the colonies’ (p. 325).

To end, we wish to point out that the *Manuscripts* close with a few pages of mathematics regarding the issue of interest (pp. 329–36). This reminds us of Marx’s *Mathematical Manuscripts*,²⁶ and in his difficulties regarding this matter.²⁷

Marx continues Notebook XXIII of the *Manuscripts of 1861–63* in July 1863. On 15 August he wrote to Engels:

[...] my work (preparing the manuscript for the press) is going well. In the final elaboration the stuff is, I think, assuming a tolerably *popular* form [...] At all events, it will be 100 p.c. more comprehensible than the No. 1 [the *Contribution*].

(MECW. 41: 488)

The truth is that Marx wanted to reassure his Manchester friend, because in reality in August of that year Marx had not written (and would not write for two more years) a definite page for the publisher, nor anything in a comprehensible ‘popular style’. Marx knew that Engels was interested in the political impact of the book. Marx, instead, was primarily interested in the scientific impact, and, as we have seen, the popular level should be fulfilled at a later date, maybe by other pens and persons ... but this was the easy part – although not as easy as scientists often think. In any case, Marx had advanced a lot in his investigations, but this does not prevent him from exclaiming:

Thus *capital* becomes a very mysterious being (*mysteriöser Wesen*).
(MECW. 34: 125)

And referring to the fetishism issue, within which capital concerned itself more and more, he wrote:

Even this relation in its simplicity is an inversion, a personification of the thing and a reification of the person [...] the relation becomes still more complex – and apparently more mysterious.
(p. 123)

In fact, he had completed the 'second draft' of future work, but there were still many doubts. A 'third draft' was still necessary, the *Manuscripts of 1863–65*, towards the *Capital* of 1867, which is the object of my other commentary.²⁸

PART IV

The new transition

Similar to the transition analysed at the end of our previous work (Dussel 1985a), this 'new transition' also intends to lay a bridge between this commentary on the *Manuscripts of 1861–63*, and Marx's subsequent works (the *Manuscripts of 1863–65* and Volume I of *Capital*) (see Dussel 1990) and, in a very special way, the Latin American reality, its philosophy in general and its philosophy of liberation in particular.

We believe that we shall provide some polemical comments related to established Marxism in order to open it up to Latin American revolutions which demand a historical Marxism that is adequate for our Latin American continent.

12 The *Manuscripts of 1861–63* and the philosophy of liberation

Since the same real development (*reale Entwicklung*) which provided bourgeois political economy with this striking theoretical expression unfolded the real contradictions contained in it, especially the contradiction between the growing wealth of the English *nation* and the growing misery of the workers [...] It was natural for those thinkers who rallied to the proletariat to seize on this contradiction, for which they found the theoretical ground already prepared. Labour is the sole source (*Quelle*) of exchange value and the only active creator (*Schöpfer*) of use value [...] you say that *capital is everything* (*das Capital ist alles*), and the worker is nothing or a mere production cost of capital. You have refuted yourselves. Capital is nothing but defrauding of the worker. *Labour is everything* (*Die Arbeit ist alles*).¹ This, in fact, is the ultimate meaning of all the writings which defend the interests of the proletariat. (MECW. 32: 394)

As we have mentioned above, the purpose of this chapter is to develop a few points of special interest for Latin America and for philosophical discussions among our thinkers and revolutionaries.

12.1 What is ‘science’ for Marx?

If we were to judge Marx by the meaning of ‘normal’ science, science in its current meaning – say, Popperian – we could not understand anything about Marx’s exercise of *scientific rationality*. If one asked for a scientific ‘result’, also in its current meaning, Marx’s intent would have not been, as it was, a revolution of world history. What he made was very different, and *much more important*.

Economic science and rationality in economics according to Marx are: (a) the transcendental, fundamental critique of the overall framework of all possible political economy (especially the capitalist political economy); (b) the development of the concept of living labour in general (and especially of objectified labour as capital), without skipping anything, logically developed; (c) the constitution of categories, the minimum required to allow an

explanatory system of all possible political economy (and, specifically, the capitalist political economy); (d) the ethical judgement of all possible political economy (which must always refer to living labour); (e) the proletariat consciousness (objective, revolutionary practical–political function). We will discuss these aspects in that order: the critique in Section 12.2; the subject of the development of the concept in 12.3; the constitution of categories in 12.4; the ethical–political status, and thus the historical–concrete task, in 12.5.

First the meaning of *science* for Marx must be clarified. Certainly, he uses the concept of science in its ‘normal’ sense, as science and technology which is utilized in the production process to increase productivity. Science appears as a moment of ‘power’ or ‘productive force’ – at the level of obtaining relative surplus value:²

In the same way as the production process becomes an *application of scientific knowledge* (*Anwendung der Wissenschaft*), so conversely, does science become a factor, a function so to speak, of the production process [...] *Exploration of science*, of the theoretical progress of humanity. Capital does not create science, but it appropriates it to the production process.
(MECW. 34: 32–33)

The product of mental effort (*geistige Arbeit*) – science – always stands far below its value, because the labour time needed to reproduce it has no relation at all to the labour time required for its original production. For example, a schoolboy can learn the binomial theorem in an hour.
(MECW. 34: 87)

This can be understood and it would allow for a description of a concrete theory in Marx. In the abstract, science as science is defined by epistemologists and practised by scientists. In contrast, Marx is interested in science as concrete capital, namely, subsumed in the practical, real, historical human totality; in today’s world, subsumed by capital as a means of increasing relative surplus value (as well as technology).³ But *this is not the science which Marx himself practises* (which is frequently not noticed by many Marxists, as well as by many contemporary epistemologists). He practices ‘science’ in a *completely different way*:

You will understand that in a work such as mine [...] the composition [*Komposition*], the structure (*Zusammenhang*), is a triumph of German scholarship (*deutsche Wissenschaft*).
(Letter of 20 February 1866; MECW. 42: 232)

Economy, as well as science in the German sense (*im deutschen Sinn*), are still to be done.

(Letter of 12 November 1858; MECW. 40: 355)

What I have to prove only theoretically is the *possibility* of the absolute rent without denying the law of value.

(Letter of 9 August 1862; MECW. 41: 403)

For Marx, the meaning of ‘science’ is not the usual one. ‘Science’ as ‘*knowledge* (*Wissen*)’ in the sense of German culture comes from way back. We could go back to Jakob Böhme,⁴ Kant,⁵ Fichte,⁶ Schelling,⁷ and certainly Hegel. The latter writes in *Phenomenology of the Spirit*:

Science cannot reject a non-true knowledge just like that because it considers it a vulgar point of view of things; [but science] is a *completely different* kind of knowledge.

(Hegel 1952: 66)

If the experience of the vulgar conscience must not be rejected as null, then vulgar science, and even apologetic science, must not be rejected either. Thus, Marx had infinite patience to seriously consider the results of other economists prior to him, although they were not mentioned in his analysis as ‘scientists’ – or just scientists in the vulgar sense:

Steuart [thinks] in *scientific* form.

(MECW. 30: 348)

Bastiat [...] is still marked by a lack of erudition and a quite superficial acquaintance of science (*Wissenschaft*).

(MECW. 32: 501)

It is not a base action when Ricardo puts the proletariat on the same level as machinery or beasts of burden or commodities, because (from his point of view) their being purely machinery or beasts of burden is conductive to ‘production’ or because they really are mere commodities in bourgeois production. This is stoic, objective, *scientific*. In so far as it does not involve *sinning against his science*, Ricardo is always a philanthropist, just as he was in *practice* too.

(MECW. 31: 349)

Thus Ricardo’s ruthlessness was not only *scientifically honest* but also a *scientific necessity from his point of view*.

(MECW. 31: 348)

Marx of course does not say the same thing about all ‘scientists’, not about all classical or vulgar economists, and especially not about the apologists (MECW. 31: 348–52). One must not confuse Quincey, who is very respectable for having ‘the scientific formulation of question’ (MECW. 32: 92) and the self-justifying fetishism of Malthus, who excavates ‘the graveyard of this science’

(MECW. 32: 501), so far from the sense that Marx tried to imprint on it. For Marx, science is opposed to fetishism, which has increased since classical economics, passing through vulgar and apologetic economics, ending in its ‘academic form [...] that looks down [Marx comments] in an equally superior manner on the fantasy of the socialists [...]’ (MECW. 32: 501).⁸

The meaning of ‘science’ according to Marx is understood when he criticizes those who fall into confusion when trying to act ‘scientifically’. Essentially, Marx criticizes the classics (Smith, Ricardo, etc.) as ‘pseudo’-science because they do not adequately ‘develop’ the concepts they analyse, because they jump, ‘skip’ categories or moments, and fall into contradictions:

[Ricardo] leads to erroneous results because it skips⁹ over some essential links and directly seeks to prove the congruity of economical categories with one another.

(MECW. 31: 390)

He falls into non-science, not because of too much abstraction, but due to lack of adequate abstractions (MECW. 32: 10ff.).¹⁰ Non-science means falling into contradiction:

[Smith] in some passages correctly determined – so correctly determined that he traces out in general form the origin of surplus value [...] But then he takes the opposite course, and seeks on the contrary to deduce the value of commodities (from which he has deduced wages and profit) by adding together the natural price of wages, profit and rent.

(MECW. 30: 402)

For Marx, then, and going ahead a few years: ‘All science would be superfluous if the form of appearance (*Erscheinungsform*) of things directly coincided with their essence (*Wesen*)’ (Marx 1981b: 956).

[...] it is one of the tasks of science to reduce the visible and merely apparent movement [phenomenal: *erscheinende*] to the actual inner movement (*innere wirkliche Bewegung*).

(Marx 1981b: 428)

In other words, for Marx, *science* is primarily the *critique of appearances* (of the pure phenomena that appear on the surface in the world of commodities: in circulation); to refer these appearances to the *essential world of the real internal movement* (in this case the valorization of the value of capital); and from there to *develop* the ‘concept’ of capital through categories.

12.2 ‘Critique’ from the exteriority of ‘living labour’

The ‘critique of appearances’ is the critique of fetishism. This subject has two fundamental aspects. First, the meaning of ‘critique’ for Marx, and second,

the place ‘*from-where*’ Marx’s critique is made (namely, the radical and original ‘starting point’ of all Marx’s thought). We emphasize that everything emerges from the following original opposition which generates Marxist dialectics:

The fact that *living labour* (*lebendige Arbeit*) is confronted by past (*vergangen*) labour, activity is confronted by the product, human being is confronted by things, labour is confronted by its own materialized conditions as alien, independent, self-contained subjects, personifications (*Personifikationen*), in short, as *someone else’s property* and, in this form, as *employers* and *commanders* of labour itself, which they appropriate instead of being appropriated by it [...] *Capital* as the prerequisite of production [...] It is the contradictory social framework which is expressed in it and which, separated from the process itself, expresses itself in *capitalist property as such*.

(MECW. 32: 473–74)

Let us now analyse this crucial subject in greater detail.

Some thinkers believe that *critique* is only a theoretical position of the young Marx. But no one can be blind to the fact that Marx names these *Manuscripts*: ‘Towards a *critique* (*Zur Kritik*) of political economy’; the 1859 *Contribution* bears the same title, and even *Capital* has an explanatory subtitle: ‘*Critique* of political economy’. That is to say, Marx did not think that it was a work ‘*towards* (*zur*)’ a critique, but it was the promised ‘critique’. In addition, it could be said that his work was more *critical* than constructive; it was more a critique than a ‘positive’ economic theory that could guide concrete economic actions. It is a *fundamental economic critique*. a foundation, a critique of the assumptions of economics as such.

According to Aristotle, whom Marx admired so much, dialectics was fundamentally *critique*, the ‘capacity to make a *critical* examination’ was achieved thanks to it.¹¹ ‘Only the cultivated human being is able to perform the critique (*krísis*) [...] Let us now add that such a human being is able to make a critique of everything all by himself’.¹² ‘Dialectics is useful [...] because by reason of its critical-inquiring nature it opens the way to the principles of any method.’¹³

In the same manner, Kant thought that the philosophical task was mainly critique (thus his *Critiques: Critique of Pure Reason*, etc.). It was necessary to disarticulate the ‘logic of appearance (*Schein*)’.¹⁴ The dialectical work is negative because ‘it shall be content with describing the illusion of transcendental judgment (of reason) and with hindering at the same time that they mislead us’.¹⁵ That is to say, it shall be required ‘at least to feel doubts and open our ears to critique’.¹⁶ Critique is preparatory to the claim of entering into ‘the secure path of *science* (*Wissenschaft*)’.¹⁷

For Fichte, *critique* was also the beginning. But, against Kant, he asserts that philosophical science is impossible:

The essence of the *critical* philosophy is the absolute position of an absolute Self unconditioned and non-determinable by anything of a higher range; and if such philosophy proceeds consequently *starting from* such principles it becomes a *Doctrine of Science*.¹⁸

Once they are installed in the Absolute as the departing point, the critical thinking of Schelling and Hegel can embark on the ‘way of science’. It is well known, however, that Marx is an heir of the old Schelling, at least the one who in 1841 criticized Hegel in Berlin, the one who placed Hegelian philosophy as negative and affirmed a *positive* philosophy, ‘the one that emerges from existence (*von der Existenz aus*); from existence, namely, from *actu*; act-being’ (Hegel 1971, Vol. V: 745–6.¹⁹ The practical relation is fundamental here: ‘Person seeks for person (*Denn Person sucht Person*)’ (Hegel 1971, Vol. V: 748). Beyond the concept is reality. Thanks to the old Schelling, Feuerbach was able to start the anti-Hegelian *critique* and write:

The new philosophy supports itself upon reason [...] but upon the reason that human beings possess by essence [...] upon a reason impregnated with human being blood. Thus, ancient philosophy said: only the rational is true and real; the new philosophy by contrast affirms: only the human is true and real.

(Feuerbach, *Grundsätze der Philosophie der Zukunft* (1843), II, Section 50; *Werke*, Vol. II: 313).

True dialectics is not the monologue of the solitary thinker with himself, but the dialogue between I and you.

(Feuerbach, *ibid.*, Section 62: 319).

I am a human being with another human being (*Mensch mit Mensch*).

(Feuerbach, *ibid.*, Section 61: 318).

Marx *criticizes* Feuerbach’s intuitive or cognitive sense of sensible materialism, but he shall never forget that only the ‘community (*Gemeinschaft*) is liberty and infinitude’ (Feuerbach, *ibid.*, Section 60: 318), and above all that ‘truth is the totality of life and human essence’ (Feuerbach, *ibid.*, Section 61: 318). Hence, as we shall see, Marx affirms the *real exteriority* of the human being as labourer, as subject person of the living act of labouring, and thus he writes: ‘*Labour is everything*’; which presupposes that he is in the old critical tradition, but now with an anti-Hegelian transcendence.

Marx performs a double critique: he not only performs the critique of *texts* (from the vulgar capitalist or classical political economy); but, and above all, the critique of capitalist *reality*. On the other hand, all ‘critique’ is performed ‘*from*’ a certain standpoint. In the concrete, historical and socially, from the proletariat (exploited and subsumed class by capital); but essentially – and this is the level at which Marx places himself theoretically and epistemologically in

these *Manuscripts*—from ‘living labour’. Marx performs the *critique* of all possible political–economic science starting *from* ‘living labour’ (as the most simple category; as the most abstract and real principle), and the *critique* of capital itself as effective reality (the ‘development of its concept’ from Marx’s point of view, not only by the mediation of other texts, but starting from his own research, also *from* ‘living labour’). Critique of the established, prevailing political economy, is destructive. Development and construction of his own discourse (see subsequent sections 12.3–12.4), is affirmative. In both moments, ‘living labour’ is the generating starting point.

‘Living labour’, as human labour, actualization of subjectivity, as person, and as manifestation of his dignity, is placed as such *outside, beyond, transcending* or, as we have named it in other works²⁰ in the *exteriority* of capital. ‘Living labour’ is not ‘objectified labour’. The former is a human being him-/herself, the activity, the subjectivity, the ‘creating source of value’; the latter is the thing, the product, the produced entity (*Dasein*). Hence, the *critique* of capital (as a totality) shall be performed from the *exteriority* of ‘living labour’. Real, transcendental ‘exteriority’, beyond capital’s Being (*Sein*), beyond value (as an effectuated ‘thing’). The ‘reality’ of ‘not-capital’ (recall Section 1.2a) is the realm from where the *critique of the totality* of value that valorizes itself (thing in movement) is fulfilled: the critique of capital.

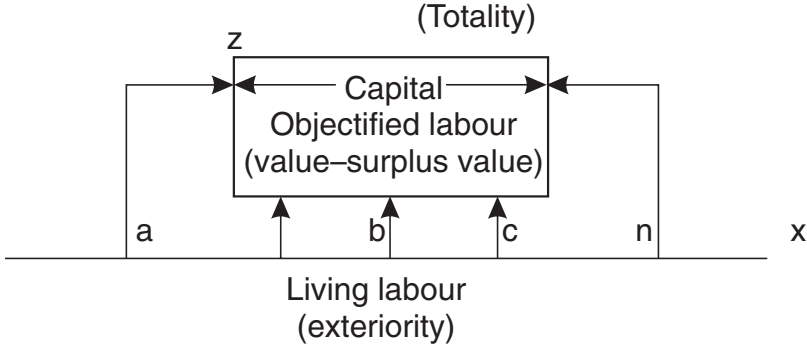
The no-relation of objectified labour (capital which is value that valorizes itself) with living labour is the source of all fetishism. Thus, for Marx, non-critical means *fetishist*; what has been absolutized in-itself and for-itself *without any relation* with living labour (as theory: the cause of all errors, confusions, pseudo-scientific illusions; as *reality*: the claim of capital of producing *from within itself*, from nothing: profit, rent, interest, etc.) (see Figure 12.1).

This aspect has remained unnoticed by many in the Marxist tradition, because *living labour* (as the creating and subsumable exteriority), *labour capacity* (as pure capacity which reproduces itself with the value of wages), has been frequently confused with *labour power* or *productive potency* (living labour subsumed and consumed by capital), *labour* (abstract concept and thus ambiguous as yet undetermined), *productive labour* (the only labour that produces surplus value, strictly speaking) and *wage labour* (subsumed labour in exchange for wages), etc. Now it can be understood what Marx means when he writes that it is necessary to perform the ‘general *criticism* of the entire system of economic categories’ (MECW. 32: 388). Or when on an earlier date, in a letter addressed to Lassalle, dated 22 February 1858, he wrote:

The work I am presently concerned with is a *Critique of Economic Categories*, or if you like, a critical exposé (*kritisch dargestellt*) the system of the bourgeois economy.

(MECW. 40: 270)

The critical task then is initially to ‘bring science’ or rational discourse to the ‘place’ or perspective (not bourgeois) *from where* it becomes possible to start



Explanation: x = precapitalist origin of money or the conditions of labour (or process of reproduction) – always objectified labour; z = confrontation between ‘objectified labour’ (capital) and ‘living labour’ (arrow a); arrows b, c, and n = different critical positions of living labour (in the development of the *concept* of capital and the *constitution* of categories).

Figure 12.1 ‘Critique’ from the exteriority of living labour.

its development, its positive ‘explanation’. But, as we shall see, once such an ‘explanation’ is started, reference to the exteriority of living labour shall prevent the discourse from falling into ‘fetishism’. For Marx, the opposite of critique and science is not ideology, but, as we have frequently said, fetishism, and the ‘fetishist form’:

Thus it is *interest*, not *profit*, which appears to be the *creation of value* (*Wertschöpfung*) arising from capital as such and therefore from the mere ownership of capital; consequently it is regarded as the specific *revenue* created by capital. This is also the form in which it is conceived by the vulgar economists. In this form all intermediate links are obliterated, and the *fetishistic face* of capital, as also the concept of the *capital-fetish* is complete.

(MECW. 32: 458)

The only way of de-fetishizing capital is to re-establish the explicit *relationship* of ‘the iron man’ with ‘the human being of flesh and blood’ (MECW. 34: 30), the real person, living labour, only considered by capital, however, as ‘a surplus subject (*Surplussubject*)’ (MECW. 34: 29). This ‘living labour’, ‘this’ concrete labourer, ‘this’ labouring class as exteriority, is the ‘creative source’ of all value.²¹ Marx’s materialism is a historical, productive, anthropological materialism: ‘All solid material wealth is only transitory materialization of social labour, crystallization of the production process whose measure is time, the measure of a movement itself’ (MECW. 33: 346). And, he concludes, against subsequent supposedly Stalinist cosmological Marxist materialism:

One can see here how the real (*Wirklich*) science of political economy ends by regarding the bourgeois production relations as merely *historical* ones [...] to be simply the activity of human beings. Everything which is not the result of human activity, of labour, is nature and, as such, is not social wealth. The phantom of the world of goods fades away and it is seen to be simply a continually disappearing and continually reproduced objectivization of human labour.

(MECW. 33: 345–6)

The person–nature relation is neither the first, concretely speaking, nor is it, according to Marx, the most important one. The person, always the person, is the *critical* starting point, as the condition of all objectified labour, of all materialized institution, of anything which is an effect of this labour (as capital itself and in totality).

This relationship of capital, of the totality of objectified labour, with the exteriority of living labour, as *pauper*,²² is the *ethical* relationship *par excellence*: the subsumption of this exteriority is injustice, inequality, installed in the essence of capital as a ‘social relationship’ of exploitation (this fact appears in the prevailing bourgeois *morality* as justice, which fulfils with ‘good conscience’ the demands of capital itself).

As we have seen, Marx’s ‘critique’ is intended not only to demonstrate the impossibility of bourgeois political economy (and the same impossibility of capital), but also, and more radically, it is directed to perform a ‘critique’ from *living labour* as exteriority, of all *possible* political economy (and even all possible economic systems). In other words, from *living labour*, as not-value human subjectivity, because it is the ‘creative source of all value’ (namely, of any possible exchange value of products of any possible economy), he/she performs a ‘critique’ of the *fundamental structure* of all economies. It is a *transcendental critique* because living labour can question objectified labour. And any possible economic system, from Palaeolithic to the end of history, is always ‘*objectified labour*’ structured in a concrete form. With the foregoing we wish to indicate that Marx has a ‘critical reserve’ (I. Lakatos) even regarding the old ‘really existing socialism’. Objectified labour, organized from socialist planning, can thus be criticized from the point of view of living labour. A ‘Marxist critique’ of ‘real socialism’ is more necessary today than ever before. The rate of profit can in ‘real socialism’ give up its place, as an economic regulatory criterion, to the rate of production. Objectified labour can be organized in some other form, but it will never be living labour itself. Thus, it is inevitably (at least as a possibility, and this is sufficient to perform a critique) materialized, autonomized labour, not alienated by capital any longer, but determined by a non-democratic plan by others, controlled by others, marketed by others. If these others are not living labour itself, as labourers, as oppressed class, as peoples, in a democratic system, there shall always be a reason for critique. And there certainly are reasons in the ‘existing socialisms!’²³

12.3 Passage to the essence or the ‘development’ of the concept

Any critique of fetishist appearance – either from political economy, or from the effective or phenomenal reality of capital – now leads us to the essence, to the *concept*: ‘science’ in another aspect.

Years later Marx wrote in *Capital*:

For the rest, what is true of all forms of appearance (*Erscheinungsform*) and their hidden background is also true of the form appearance ‘value and price of labour’, or ‘wages’, as contrasted with the essential (*wesentlich*) relation manifested in it, namely the value and price of labour power. The forms of appearance are reproduced directly and spontaneously, as current and usual modes of thought; the essential relation must first be discovered by science.

(Marx 1977: 682)

Whatever is phenomenal or appears on the surface manifests itself in what is present *in circulation*. While the hidden background (*substratum*), the fundamental, essential, invisibly takes place at the level of *production* of human labour, of living labour:

In the final state in which profit, assumed as something given, appears in capitalist production, the innumerable transformations and intervening stages through which it passes are obliterated and unrecognizable, and consequently the nature of capital is also obliterated and unrecognizable.

(MECW. 32: 486)

Thus this state, separated from its inner essence (*Wesen*) by a mass of invisible intermediate links, reaches an even more *externalized* form, or rather the form of absolute alienation, in interest-bearing capital.

(MECW. 32: 487)

The passage from what is on the surface, visible, to the ‘hidden mystery’ (MECW. 32: 486) of essence, is in fact the task of ‘science’, as Marx understands it.²⁴ But then a question is inevitable: has the *economic ‘problematic’* (Althusser) been historically what guided Marx’s discourse from 1845 on, or was it in fact a philosophical or strictly *ontological ‘scheme’*, ‘framework’ or ‘paradigm’ that guided his reflection? Marx’s ‘science’ is a trans-ontological critique of all possible economics (a ‘meta-physics’, in the transcendental sense we have given to such a term).²⁵ For this reason Marx wrote in *Wages, Price and Profit*:

Scientific truth is always paradox, if judged by everyday experience, which catches only the delusive appearance (*täuschender Schein*) of things.

(MECW. 20: 127)

The passage from *phenomena* to *essence* is the discovery of the ‘concept’. In fact, for Hegel, ‘science’ is the ‘development of the concept’. Fichte had already announced that ‘all oppositions of any concept agree in the realm of the higher concept which expresses the foundation of difference; namely, a synthesis is presupposed’.²⁶ This was the case of the ‘development’ of the concept of the ‘absolute self’, *from which* the entire system (‘doctrine of the science’: of ‘knowledge (*Wissen*)’) was deduced. In Hegel, the ‘development’ (*Entwicklung*) starts first with ‘explanation (*Explikation*) or ‘unfolding’ (*Entfaltung*)’:

The *Explikation* of the concept (*Begriff*) in the domain of being, becomes both the totality of being as well as, and due to the foregoing, the subsumption (*Aufhebung*) of the immediacy of being or form of being as such.

(Hegel 1971, Vol. 8: 181)

We find here the origin of ‘development’, the original explosion that makes the radical difference between ‘Being’ (*Sein*) and ‘entity’ (*Dasein*) (in Marx’s transforming terms: the radical difference between ‘living labour’ and ‘objectified labour’: *Direktion* [as Marx would say] or *Entzweiung* [the unfolding of ‘two’ from ‘one’]). For Hegel, reality, essence, concept and method are *one and the same* thing: absolute identity:

What has to be deemed here as method is only the *movement of concept* (*Bewegung des Begriffs*) itself [...] [remembering] that *concept is all (alles)* and its movement (dialectics) is the absolute universal activity [...] Thus method is the soul and substance [...] because its activity (*Tätigkeit*) is the concept.

(Hegel 1971, Vol. 6: 551–52)

Not only had Marx read Hegel’s *Logic* in 1858, but we know that he studied it once again in 1860. On 16 January 1858, he wrote that ‘what was of great use to me as regards *method* of treatment was Hegel’s *Logic*, at which I had taken another look by mere accident [...] (MECW. 40: 249). Evidently, for Marx, reality is not the concept. The latter is conceived ‘in the head’,²⁷ and consequently he had written in the *Grundrisse*:

The concrete totality is a totality of thoughts, concrete in thought, in fact a product of thinking (*Begreifen*) and comprehending; but not in any way a product of the concept which thinks and generates itself outside or above observation and conception; a product, rather, of the working-up of observation (*Verarbeitung*) and conception into concepts. The totality as it appears in the head, as a totality of thoughts, is a product of a thinking head, which appropriates the world in the only way it can, a way

different from the artistic, religious, practical and mental appropriation of this world.

(Marx 1973: 101)

As one can see, for Marx what is real is not what is thought; the concept is an effect of a ‘presentation’ of a theoretical work. Marx realized that a ‘method of presentation’ of the concept is required, which is none other than the dialectical path of ‘development’ of the concept.²⁸ For Marx, then, *science*, which accomplishes the critique from *appearance* to *essence*, elaborates its own discourse at this profound level, hidden to the common-sense consciousness (and even to science located within the ‘bourgeois perspective’ and thus limited and contradictory), and *develops the concept*²⁹ (which is not the real development of the thing itself, but only what ‘refers to’):

To that extent the path³⁰ of abstract thought, rising from the simple to the combined, would correspond to real historical process.

(Marx 1973: 102)

The ‘development’ of the concept constitutes a system of categories, to ‘conceptualize (*begreifen*) the real, formative process in its different phases’ (MECW. 32: 500); or, furthermore, to ‘generically develop (*entwickeln*) the different forms’ in order to be able to make a ‘genetic presentation (*genetische Darstellung*)’ (MECW. 32: 500) demanded by the understanding of the concept of capital.

We could then indicate that for Marx a *scientific-critical*, or rational exposition of the system of categories of all possible political economy is nothing but the *development of the concept of ‘living labour’*, and within which the *development of the concept of ‘capital’* is a secondary and founded moment. ‘Labour is everything’ (MECW. 32: 394). Labour is the substance of value: its creative source. Value, commodity, money, etc., are modes of ‘living labour’, *objectified*, materialized, ‘dead’, but ‘living labour’ anyway, although *past*. Everything is labour: capital is nothing but labour: pure and totally objectified living labour. The ‘*development of the concept*’ (which is not the *real* development of effective living labour) of ‘*living labour*’ (and of ‘capital’ as secondary unfolding) absorbed the totality of Marx’s theoretical production in what we can call his ‘scientific production’, properly speaking (the *Grundrisse*, these *Manuscripts of 1861–63*, those of 1863–65, Book I of *Capital*, and the remaining *Manuscripts* up to 1882).

In the ‘development of the concept of living labour’ (and thus of capital), the first step is to depart from living labour itself as the absolute simple, first (and hence ‘non-constructible’; ‘subject of conceptualization’, but not definable *a priori*) category. The enormous gap is between ‘*living labour*’ and ‘*objectified labour*’. With many differences, as in the case of Hegel’s (undetermined and original) ‘Being’, ‘living labour’ posits outside of itself (autonomously and even as an independent power) its product as ‘*objectified labour*’

(entity *Dasein*). It is the original *Direrktion* (unfolding, launching and falling into the ‘entity’). When ‘objectified labour’ afterwards faces the same ‘living labour’ as ‘money’ (in the ‘face-to-face’ prior to the wage-labour contract described in Section 1.2), ‘living labour’ is subsumed as ‘wage labour’. *Objectified* labour (money) constitutes living labour as something ‘equal’ to the resources required for its subsistence. Both money and means of subsistence are *objectified* labour. The difference between ‘living labour’, original, undifferentiated, and ‘wage labour’ is the *third* moment (after the contradiction between living labour and objectified labour in money) in the ‘development of the concept of living labour’ (and the *second* moment of capital). And so on; we could ‘develop’ each of various moments of the *concept*. The ‘explanation’ of such a development is the ‘critical exposition’ of a system of categories of all possible political economy, especially bourgeois political economy.

12.4 The constitution of categories

Concepts are developed or elaborated by means of *categories*,³¹ through which, analytically, the concept is developed genetically, dialectically, rationally. But ‘critique and conceptualization’ (MECW. 32: 500) are made by means of ‘determinations (*Bestimmungen*)’ which constitute the concept. Hence, money, commodity, etc., as capital, are *determinations* of capital, are categories, and have within them, each one of them, a concept. Consequently, the determination or category of capital: ‘money’, can also *be developed* in its concept. Hence, ‘money as money’ constitutes an inferior moment and transcends itself, as a superior development of its own concept, in ‘money as capital’, which also leads to another determination (and thus, category) not only in the money – capital, but also in an autonomous interest-bearing capital.³²

Hence, in its essence, the ‘internal movement of concept’ can be successively described by means of categories. Each rationally demands the other. The rational succession and connection of each category with the next, until they organize a system without any gaps, constitutes an essential moment of what Marx understands by ‘science’:

Ricardo’s method is as follows: He begins with the determination (*Bestimmung*) of the magnitude of the value of the commodity by labour time and then *examines* whether the other economic relations *contradict* this determination of value or to what extent they modify it.

(MECW. 31: 390)

In these *Manuscripts*, such methodological indications are quite frequent. As one can see, the error, in this case, consists in not discovering the necessary determinations, not constructing the categories within the demanded rationality by the development of a concept. To ‘skip’ or ‘jump’ a moment (a

determination, a category), means ‘lack of the power of abstraction’ (MECW. 31, p. 416); insufficiency of the analysis.

Another error consists in confusing two categories as one:

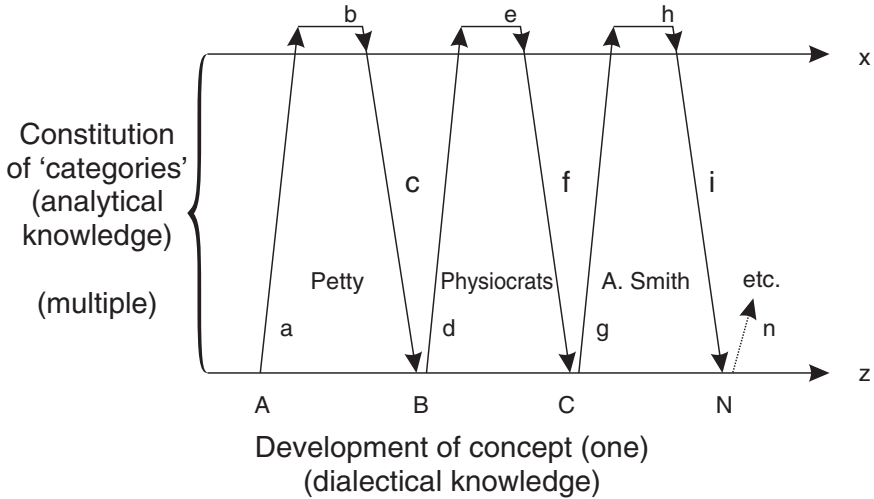
Because Adam makes (*entwickelt*) what is in substance an analysis of surplus value, but does not present it explicitly in the form of a definite category (*Categorie*), distinct from its special forms (of manifestation), he subsequently mixes it up directly with the further developed (*entwickelte Form*) form of profit.

(MECW. 30: 395)

One can then see – for a future theory based on Marx’s categories, which is still waiting to be developed – that, on the one hand, the development of the ‘concept’ of surplus value is produced (from surplus value itself, simple and essential, to the most complex, on the superficial and phenomenal level of profit) by means of at least one relation: from surplus value itself (category constituted from surplus labour and necessary time, other categories) and profit. Both categories (two moments in the development of the single concept of value) must not be conflated into *only one category*. Smith’s errors are multiple: he did not constitute the category of surplus value explicitly; hence he was not able to develop its concept and he confused the essential moment of surplus value with its phenomenal form of profit, etc.

Marx’s concern in all these *Manuscripts of 1861–63*, as we have seen, even with greater self-consciousness than in the *Grundrisse*, is to develop the ‘concept of capital in general’ by means of all the *necessary* determinations and categories. The ‘necessity’ of a category indicates exactly its ‘rationality’. The discourse or exposition (*Darstellung*) of the concept determines rationally (act of dialectical reason (*Vernunft*)) the accurate constitution of the categories (act of the objective understanding (*Verstand*)).

Hence, it is a question of distinguishing between the *external* evolution of a historical structure (or system of categories) of economics, which Marx intends to study (starting from Petty and the Physiocrats) (arrow *x* of Figure 12.2), and which is so important for our purpose (and here Kautsky was wrong, but also those who saw in these Notebooks the historical exposition which *later* Marx intended to write), and the *internal* development of the categorial ‘framework’ (*concept*), which became more accurate and innovative as the critical confrontation advanced (arrow *z*). From the categorial ‘framework’ (or the development of the concept in *A*) utilized up to Notebook V (our Chapter 3), Marx starts with the critical confrontations (arrows *a, d, g, n* in Figure 12.2). The author studied in each case (Petty, etc.) is not necessarily the most interesting one. The important thing is that, in the process of criticism, Marx quite frequently needs to constitute new categories (arrows *b, e, h*). These ‘new’ categories are integrated (arrows *c, f, i*) into the prior categorial ‘framework’ which matures, grows, is modified (the movement from *A* to *B, C, N*). Thus the ‘development’ (indicated by arrow *z*) of



Explanation: A, B, C = categories; a, d, g = critiques; b, e, h = constitution of a category; c, f, i, = integration of the new category into the 'categorical framework' (concept); x = external chronological history; z = internal development of the concept (profound movement).

Figure 12.2 The development of the concept and the constitution of categories.

the categorial 'framework' (concept) is accomplished. In fact, the 'theories of surplus value' are not for Marx an opportunity to write a history, *not even* of carrying out a description of one or several theories of surplus value. In truth, what really happens is the 'development of the concept' or the categorial 'framework' displayed through the critical confrontation with these economists (their theories) and the reality of capital, which compels him to build *new categories* and, by systematizing them, to mature, modify, the starting point: the categorial 'framework' or the 'concept'. Because of that, we were not much interested in the *historical* exposition, but *in the way in which* Marx kept making his critique, *the way* he kept *building his categories*; our task was a categorial 'archaeology' with a permanent 'epistemological attention' (intention).

For Hegel, the 'Self' was a 'simple category' (Hegel 1971, Vol. 3: 181); the simplest. For Marx, from the *Manuscripts of 1844*, the human being, made of flesh and blood, muscles and desires, needs, was the point of departure: 'living labour' as the radical opposite to 'objectified labour'. 'Living labour' is the simplest, most concrete and, yet, in its exteriority regarding capital (objectified labour), the obligatory reference of all subsequent development.

In these *Manuscripts of 1861–63* Marx advances, mainly, in the specific development which links the categories of ‘value’ and ‘surplus value’ to that of ‘price of production’. These categories had not yet been sufficiently elaborated in the *Grundrisse*; for this purpose, other categories had to be presupposed: average profit, absolute and differential rent, the distribution of surplus value in commercial profit and in interest, the form of reappearance of the value consumed in means of production, the proper movement of accumulation, simple and expanded reproduction and, mainly, the transformation of the value of the product until it becomes determined by competition as price of production and market price. These are some of the categories elaborated, constituted through these *Manuscripts*, which in Figure 4.1 (categorical mediations between surplus value and profit) were schematically suggested in the introduction to Part II.

For Marx, the development of the concept of living labour (and of capital as objectified labour), is rational because each category follows the foregoing one coherently, logically, without leaps. Once it has been presupposed that value is objectified labour (and the unjust surplus value is unpaid living labour), the ‘law of value’ shall always be in force without contradictions. Marx dissolves any irrational contradictions (for the case of rent, see Sections 7.2–7.3; or for ‘cost price’, Section 7.4),³³ when he provides an organic coherence even to the capitalistic discourse, and thanks to it, he is able to demonstrate its impossibility from its own presuppositions (not only by crises as its essence, due to the fall of the rate of profit but, mainly, due to the incapability of demonstrating the real origin of surplus value and profit).

12.5 *The Manuscripts of 1861–63 and ‘the philosophy of liberation’*

Marx elaborates a whole theory, he constructs categories to develop concepts, not as an end in itself, not as a contemplation of atemporal essences, but as a practical, political, historical, concrete task:

[t]he error of bourgeois economists [is that] they regard those economic categories as eternal laws and not historical laws which are laws only for a given historical development [...]

(letter of 28 December 1846; MECW. 38: 100)

To historicize the real economic system, and hence the capitalist political economy, means to de-fetishize its universality, claim of eternity; it means to criticize its intention to confuse itself with the ‘nature of things itself’. But such intent of placing the totality of the capitalist (real and theoretical) economic system as a moment of the reality which comprises it (from living labour) allows him to issue an ethical judgment. Wittgenstein is right when he says that if there were no exteriority exerted on the world as totality, there could be no sense of judgement (Wittgenstein 1973: 197), and that ‘ethical is

the mystical' (Wittgenstein 1973: 197–201). Marx, on the contrary, considers that the totality of the capitalist world (both really and theoretically) has sense, and an unjust or perverse ethical sense. In other words, when standing apart from the totality of the capitalistic world (which in reality is founded on the exploitation of living labour at the production level, but theoretically hides its origin because it wants to base all its theory only on the world of commodities), Marx, in solidarity with the interests of the proletariat, can exert a critical, ethical–practical, theoretical–scientific judgment and provide the proletariat with a revolutionary–political consciousness:

The capitalist knows nothing of the essence (*Wesen*) of capital, and surplus value exists in his consciousness only in the form of profit.
(MECW. 33: 71)

Thus the participants in capitalist production [also the workers] live in a bewitched world and their own relationship appears to them as properties of things, as properties of the material elements of production.
(MECW. 32: 514)

The pamphlet is no theoretical treatise. [It is a] protest against the false reasons given by the economists for the *distress* and the *national difficulties* of the times. It does not, consequently, make the claim that its conception of *surplus value* as *surplus labour* carries with it a general criticism of the entire system of economic categories, nor can this be expected of it. The author stands rather on Ricardian ground and is only consistent in stating one of the consequences inherent in the system itself and he advances it in the interests of the working class against capital. For the rest, the author remains a captive of the economic *categories* as he finds them.
(MECW. 32: 388)

This, in fact, is the ultimate meaning of all the writings which defend the interests of proletariat.
(MECW. 32: 394)

We could provide many more examples, but before continuing we wish to include another text of Marx:

If in capitalist production – hence in political economy, *its theoretical expression* – past labour were met with only as a pedestal, etc., created for labour by labour itself, then such a controversial issue would not have arisen. It only exists because in the real life of capitalist production, as well as in its theory, *materialized labour* appears as a contradiction to itself, to *living labour*.

(MECW. 32: 409)

Capital's non-ethical essence consists in the existence of surplus value itself, in the fact that profit is attained from unpaid labour (see Chapters 2 and 3); a clear case of injustice – treated in moral philosophy since the beginning, from Plato's *Republic* or Aristotle's *Politics*, through the Middle Ages up to the second Spanish Scholastic, e.g. the *De jure et justitia* treaty of Francisco Suárez, or the moral writings of Adam Smith. The exchange between living labour and objectified labour (money as capital) (Section 1.3) is unequal. Ethically and anthropologically, 'living labour becomes a means whereby objectified labour is preserved and increased' (MECW. 30: 112). To place the other, the person, as a means is non-ethical (but it can be 'moral' for the prevailing, dominant morality). Of such inequality, injustice, robbery, 'consciousness knows nothing' and, as we have said, it is not only the consciousness of the capitalist, but also of the labourer, to whom his own living labour is mystified as mere objectified labour; namely, labour is only 'the source of wages' (MECW. 32: 449). The 'class antagonism' (MECW. 30: 196) is identical to the real structure; living labour, the 'creating source of value' (see Section 1.2a) is confounded with mere labour capacity (equivalent to wages) or with wage labour (when living labour has already been subsumed). The 'proletariat's interest', namely, the power of recovering the life objectified in the product (and lost as surplus product appropriated by capital, the capitalist), is the practical, historical and political *foundation* of Marx's theoretical intent, insofar as all his scientific elaboration has as its concrete purpose, for the labourer, as individual and as class, to become aware, in each nation and in the whole world where capital exerts its hegemony, of the hidden, mystified, fetishized injustice that is the essence of capital.

The essence of capital has a practical, moral (non-ethical) standing. The 'person–nature' relation is productive; the 'person–person' relationship is practical, moral (as the prevailing system) or ethical (as the other who 'interpellates' (appeals) from exteriority).³⁴ For Marx there is no doubt, against naive materialism, the ethical relationship determines and concretely constitutes the productive relation:

Man's property in nature is mediated by his existence as a member of a communal body, family, tribe, etc., by his relationship to other men, which determines his relationship to nature.

(MECW. 33: 301)

One can see here how the real (*wirklich*) science of political economy ends by regarding the bourgeois production relations as merely *historical* ones [...] to be simply the activity of human beings. Everything which is not the result of human activity, of labour, is nature and, as such, is not social wealth. The phantom of the world of goods fades away and it is seen to be simply a continually disappearing and continually reproduced objectification of human labour.

(MECW. 33: 345)

When the ‘social relations of production’ are mentioned in the Marxist tradition, it is frequently forgotten that the *social* ‘relationship’ is, first, a ‘relationship’ among persons (practical, political, ethical relationship: namely, it can be just or unjust, perverse or correct) and second, the ‘social’ moment of the relationship indicates the already perverse nature of capitalism (‘isolated’ worker, non-communitarian labour, etc.). Furthermore, such a practical relation (and thus ethical: unjust in capitalism; see Chapter 1), social, is a ‘production’ relation, namely, it includes the relation with nature by means of tools and labour. But such a ‘relation with nature’ is already mediated, founded, ethically, historically, actually determined: it is a relation with nature of the ‘agents of production’, socially, unjustly related, wherein one sells all of his labour (the creative ‘source of value’) and the other pays only with labour objectified in wages (money only enough to pay for the necessary means of the labourer’s subsistence; to reproduce his labour capacity). The (ethical–practical) ‘social relationship’ determines the ‘production relation’. Marx criticizes the non-ethical essence of capital (but perfectly ‘moral’ according to bourgeois morality), from the absolute principle of *Liberation Ethics*:³⁵ the labourer’s life, living labour, as the actuality of the labourer’s subjectivity, both material and spiritual.

Some groups within the Marxism tradition have fallen into the fetishization of the new absolute criterion of real socialism’s economy: the fall of rate of production. Such a criterion became an ‘absolute’:

How deeply our wiseacre has sunk into fetishism and how he transforms what is relative into something positive [absolute].

(MECW. 32: 316)

The only absolute positive, not relative to any other term, is the human being in community, the person, living labour, and thus, Marx’s *materialism is historical* or *productive materialism*; namely, it is the materiality of the labourer’s ‘corporeality’ (his body, his basic needs, his sensibility – no longer in a theory of knowledge interpretation, Kant’s or Feuerbach’s intuitive sensibility, but a sensibility of need, *of hunger*) from which all that is economic emerges, from which all economic science must be thought. From such a real and sensible corporeality of living labour everything must be ethically judged.

If, for Marx, living labour is the origin of all critique (and of reality) of capital, the *addressee* of critical theory is the ‘proletarian’s consciousness’: for such a consciousness to know that all capital is nothing but living labour. But not only as value, which could hypothetically share its appropriation in a communitarian form, but as alienated, stolen surplus value (‘unpaid labour’; (MECW. 33: 346), unjustly taken from the living labour, from the labourer.

Such ‘knowledge (*Wissen*)’ of the ‘proletariat’s consciousness’ about the essence of capital, and not only about its phenomenal and fetishized appearance, is the effective *historical realization* of science (*Wissenschaft*) in Marx’s sense.

Insofar as knowledge is not exerted as critical actualization of the consciousness of living labour, dominated class, historical people, it is an elitist science, academic, fetishized, sterile, unnecessary: ‘knowledge for nothing’, pure ‘formal knowledge’. When knowledge becomes ‘consciousness’, class consciousness, people’s consciousness, only in this case does it become ‘real knowledge’: it becomes ‘science *as* history’ (not only ‘of’ history).

Latin American Philosophy of Liberation has a lot to learn from Marx. Marx’s ‘science’ was the ‘Liberation Philosophy’ of living labour alienated in capital as wage labour in Europe during the second half of the nineteenth century.

Today, the ‘Philosophy of Liberation’ must also be articulated with the science of the alienated living labour of classes, peripheral, under-developed peoples, of the so-called Third World struggling in national and popular processes of transformation against central and peripheral globalized capitalism, at the beginning of the twenty-first century.

The ‘new utopian society’, beyond capital, is still the most pertinent subject in Latin America,³⁶ keeping a degree of ethical exteriority – as the future fatherland of the poor masses in miserable communities – which science as critique makes possible.

13 The *Manuscripts of 1861–63* and the ‘concept of dependency’

This chapter, which aims to re-pose the ‘dependency issue’, asserts that a return to Marx is highly necessary. This work then should be seen as a ‘practice’ or a ‘method’ for trying to interpret the present using the categories slowly elaborated by Marx.

Marx began *Theories of Surplus Value* with a thesis that is reproduced here by way of analogy. He wrote that ‘all economists share the error ...’ (MECW. 30: 40). I would say that many economists, historians, and sociologists share the error of examining dependency not as an international *social relation* and a *transfer of surplus value* between total national capitals of different organic composition, in the framework of competition in the world order, but through its *particular forms* or merely by means of aspects that are secondary phenomena. They thus confuse the essence with the appearance. Furthermore, they do not elaborate upon the concept nor do they first construct the necessary categories on an abstract, *logical*, and *essential* level, but rather they get lost in a chaotic, unscientific, anecdotal history of dependency.

We can state at the outset that frequently in the debate on dependency Marx was notably absent. In some cases, as in the excellent work of Ruy Mauro Marini, the topic of ‘transfer of surplus value’ was explicitly noted (Marini 1973: 37), but then a compensation of that transfer (that is to say, the compensation is a secondary, derivative mechanism based on the essence of the transfer) became the essence of dependency: ‘... the central thesis, that is defended there, ... is, that *the foundation* of dependency is the superexploitation of labour’ (Marini 1973: 101).

How can the consequence, or compensation, of the transfer of surplus value be the *foundation* (the essence) of dependency? A transfer of surplus value at a fundamental, essential level makes it necessary for dependent capital to superexploit its wage labour. Superexploitation is a consequence. This mistake, Marx would call it ‘confusion’, is because there is no prior clear definition of the ‘concept’ – in the sense that Marx gives this notion.

13.1 ‘Theories of dependency’

This section presents the diverse ‘theories of dependency’ and is intended as a first step in this task, but by no means does it constitute a finished work.

In *Imperialism, the Highest Stage of Capitalism* (Lenin 1964), Lenin was aware of writing a ‘popular outline’ from a merely economic point of view. J.A. Hobson (1902) also took up imperialism’s historical and political aspects but never used the category of surplus value nor, therefore, that of ‘transfer of surplus value’. There is a reference to ‘superprofits’ (Lenin 1964: 193), but none to categories such as value of the commodity, cost price or price of production, market value, or market price, etc. The fundamental thesis, a correct one, is that ‘competition becomes transformed into monopoly’ (Lenin 1964: 205). Put another way, ‘the old free competition’ (Lenin 1964: 205) gives way to competition at a higher level (‘monopoly’ with regard to the old competition, but ‘new’ competition between capitals with a greater concentration, both in terms of size as well as organic composition of capital).¹ Lenin writes:

... as a matter of fact the capitalists ... have converted ... railway construction into an instrument for oppressing *a thousand million* people (in the colonies and semi-colonies), that is, more than half the population of the globe that inhabits the *dependent countries* ... Capitalism has grown into a world system of colonial oppression ... by a handful of ‘*advanced countries*.’

(Lenin 1964: 190–1)

Not only are the two main groups of countries, those owning colonies, and the colonies themselves, but also the diverse forms of *dependent countries* which, politically, are formally independent, but in fact, are enmeshed in the net of financial and diplomatic *dependence* ... An example ... is provided by Argentina.

(Lenin 1964: 263)

Lenin is aware that there is ‘uneven development’ (1964: 241). He sees that after a sufficient level of finance capital is reached (‘the bank capital of a few very big monopolist banks, merged with the capital of the monopolist associations of industrialist capitalists’) in the most advanced countries (he gives the examples of Great Britain, the United States, Germany, or Japan) and after the division of the world, there is a transition ‘to a colonial policy of monopolist possession of the territory of the world, which has been completely divided up’ (Lenin 1964: 266). Lenin speaks repeatedly of ‘dependency’ – of the colonies, the semicolonies, and of countries formally independent but really dependent, etc. He knows that the monopolist concentration of capital (in its productive or money form) does not prevent a new type of competition at another level (between the national powers and between conglomerated capitals). What he does not describe is the South–North relationship (referring only to the North–South relationship: from imperialism *toward* the dependent regions). What kind of transfer of wealth, of value, of surplus value takes place *from* the dependent countries *toward* the

advanced countries? What is the essential structure (at the level of the value of capital in the abstract) and what are the superficial mechanisms (the transformation from value to price in exchange, etc.)? None of this is taken up by Lenin. Therefore, the many authors who sought to criticize or to base the ‘concept’ of dependency on this ‘popular outline’, without returning to Marx *himself*, were not firmly grounded – hence all the confusion, the errors, leaps, and so forth which have occurred.

Rosa Luxemburg, in her chapter on ‘International Loans’ in *The Accumulation of Capital* (1967: 325ff.), also pointed to the tendency of central capital to expand in order to realize its surplus value (loans, railroad concessions, etc.). She observed that surplus value is extracted from the periphery, giving as her example German capital in Asian Turkey (Luxemburg 1967: 343).

To ‘realize’ surplus value in Germany means first of all that surplus value is transferred to the central country. Luxemburg would be even more creative in her enunciation of the ‘law of the tendency of relative wages to fall’ (1951: 100), which is so important for dependency.

Henryk Grossman, another of the classic writers, did not see Marxian literature as treating in a systematic way the problem of ‘the deviation of prices from their values in international exchange’, nor did he see it ‘inserted into the total construction of the Marxist system by Hilferding or anyone else ... Thus a more profound analysis of the function of foreign trade in capitalism was also neglected’ (Grossman 1979: 277).

The reasons for this are understandable. Marx studied capital in general. Only from the world market would he have been able to deal with the question raised by Grossman (cf. Dussel, 1985a, Chapter 18). Grossman notes quite rightly and in correct Marxism that:

In international trade there is not an exchange of equivalents, because, just as in the domestic market, there is a tendency toward equalization of profit rates. Therefore the commodities of the highly developed capitalist country, that is of a country with a higher average organic composition of capital, are sold at prices of production which are always greater than their values. On the other hand, the commodities of countries with a lower organic composition of capital are sold under free competition at prices of production that as a general rule must be less than their values ... In this manner, *transfers of the surplus value* produced in the less developed country take place within the sphere of circulation in the world market, since the distribution of the surplus value is not according to the number of workers employed but according to the magnitude of the capital involved.

(Grossman, 1979: 278–9)

Grossman studies the question in an extremely precise way, and he even analyses a Latin American case, where he concludes that the Cubans were looted by the transfer of surplus value to North America (1979: 303). Even

Otto Bauer wrote that ‘it is not true that peoples exchange commodities, the production of which requires equal quantities of labor. For prices conceal profits and losses from exchange. The countries with developed industry are the countries that gain profits in exchange at the expense of the agricultural countries’ (Bauer 1956; cited by Rosdolsky, 1977: 311).

On this subject of exchange, Roman Rosdolsky commented that ‘within a single country, the differences of intensity and productivity of labour balance out to constitute an average level. But the same does not happen in the world market ... The result is that between various nations there takes place an unequal exchange, so that ... the poor country ... must continuously hand over part of its national labour’ (Rosdolsky 1977: 310).

In 1862, French economist Arghiri Emmanuel used some of these same categories, perhaps influenced by Latin American economists. He raised the issue of ‘international value’ as a case of ‘unequal exchange’ and denied that the greater organic composition of capital was the principal cause of that unequal exchange.

The important point is that Emmanuel, by stressing the *difference in wages*, has had to take seriously the national frontiers that ‘constitute absolute thresholds of discontinuity’ (Emmanuel 1971: 17). He develops a theme that Marx could not treat in his study of the concept of capital *in general*. For his part, Charles Bettelheim expresses a much more balanced position. Accepting Emmanuel’s conclusions as partial ones, he indicates that the different organic composition – as Marx, Grossman, and nearly all authors thought – is the fundamental phenomenon, and that the wage differences are derived from that (Bettelheim, 1971: 34). What was gained in that debate is that it is necessary to look at the difference in average national wages as well as the difference between the organic composition of national capitals, which is extremely important.

In 1970 Christian Palloix noted that everything has demanded that economics consider the ‘passage from labour value to price of production’ (Palloix 1971: 105). This issue, as we have seen, was treated explicitly by Marx for the first time in the *Manuscripts of 1861–63*. Palloix stated that ‘in the process of production itself, the determination of international value has a *national foundation* (labour value). While the world production price realizes a form of value on the world plane ... The theoretical problem consists then in carrying out the passage from *international value* to the *world price of production*’ (Palloix 1971: 113).

The categories previously used with regard to individual capitals are applied *by analogy* to branches or to capital in general: ‘*international value*’, ‘*world price of production*’. In the case of a product produced in Mexico and in Detroit, within competition (because monopoly situations are built, albeit negatively, from competition), it is necessary to distinguish between the ‘*national value*’ of the product, the national price (in Mexico and in the United States), and the average international price. The determination of an average world profit should operate in the same way as the determination of an

average national profit (among the different branches of production). In the same manner, the value of national labour capacity (in Mexico or in the United States), or its national prices (its wages), would allow the conclusion that one is above and the other is below a ‘hypothetical’ *world* average. Palloix (1971: 16) argues that unequal exchange as a result of different organic composition determines the different rate of surplus value or the different value of the wage in underdeveloped and developed countries. (This second type of exchange accentuates the previous inequalities; it does not do away with them nor is it a new, contradictory phenomenon.)

In this entire debate, what is noteworthy is the strict, or clearly conceptualized, use of categories just as they were constructed by Marx.

In Latin America, in contrast, things were explicitly posed in another way. There were three critical currents (all of them sociological or historical, but few actually philosophical, economic, or Marxist in a strict sense).

The first critical perspective was historical. Sergio Bagú, a true pioneer, as early as 1949 began to question the feudal character of the Luso-Hispanic American colonial economic system (Bagú 1949). Years later he wrote that ‘far from reviving the feudal cycle, the Americas entered with surprising celerity into the cycle of commercial capitalism ...’ and even ‘helped give that cycle colossal vigour, making the beginning of the period of industrial capitalism possible centuries later’ (Bagú 1977: 107).² With Bagú, then, it was possible to speak of a colonial capitalism.

From a methodological point of view, Carlos Sempat-Assadourian is right in saying that one should not go ‘from one abstract to another imaginary abstract’ (1973).³ We can nevertheless say that, beginning with André Gunder Frank, economic problems were discussed without the development of the concepts nor the necessary categories. There was a passage to the concrete historical without a sufficient *category framework* and this then led to the dead end.

For Marx, and even for Engels, one had first to describe the *logic* of the development of the concept by constituting categories. If *history* is the starting point, one falls into pure ‘empirical appearance’ (Marx 1977: 402) In a valuable thesis Kuntz pointed out that

The analysis of the world market and of the relations that are inherent to it must be first of all of a *logical*, not a *historical*, character. And we are thinking here of the more or less fruitful attempts to find the historical origins of dependency ... Is this search possible, is it even conceivable from Marx’s perspective, if one starts from a self-evident lack of knowledge about the *essential*, abstract and specific, nature of the domination of some nations over others, of the internal functioning [of this domination], of its fundamental determinants?

(Kuntz 1985: 158–9)

Much of what was discussed about the ‘history’ of dependency had as its starting point imprecise assumptions with regard to the categories employed.

The treatment of the ‘empirical appearance’ was chaotic and it was possible to draw few conclusions.

A second road was the *sociological* critique of ‘dualism’ (cf. Boeke 1953; Lambert 1953; for a critique of that position see Faletto 1964; Stavenhagen 1968; also see Casanova 1963, who supports the ‘internal colonialism’ hypothesis). This position contrasted the country to the city and traditional precapitalist society to modern capitalist society (especially in the colonial or peripheral world). That is, it affirmed the existence of an external colonialism. This approach would advance matters, but it would not focus on the key to the later debate.

In contrast, the critique of the theory of *development* (which in Latin America was preponderantly sociological and historical) would leave the most fertile theoretical legacy, but at the same time it would lead to a dead end. It is therefore necessary to take up the question anew.

From his position within the Economic Commission on Latin America (ECLA), Raúl Prebisch, even though a developmentalist, pointed as early as 1949 to the existence of the ‘large industrial centres of the world surrounded by the vast and heterogeneous periphery of the new system which hardly participated in the improvement of productivity’ (Prebisch 1951: 3). By 1964 matters had worsened. Between 1950 and 1961 Latin America had lost ‘almost \$13.4 billion due to the deterioration of relative prices’ (Prebisch 1964: 30). Furthermore, although foreign capital contributed \$9.6 billion, Latin America’s remittances abroad came to \$13.4 billion (Prebisch 1964: 30).

Michał Kalecki advanced the notion of ‘external market’ (see, for example, Kalecki 1971), while Rostow (1952) began an attempt at a theory of economic development. Nevertheless, despite all the criticisms directed against André Gunder Frank, it is to him that we owe the central hypothesis of the dependency question. Frank’s interest at the outset was the ‘sociology of development’ (Frank 1970b: 17). Already in 1963 it was evident that he was clearly aware of the antifunctionalist ‘dialectical totality’ (Frank 1970a: 84ff.). It was during his search for the origins of the underdevelopment of the less developed countries and while placing the world system as the dialectical totality of the national economy of an underdeveloped country, that he began to formulate the question of dependency (cf. Frank 1965, 1969, 1970c, 1971).

It is clear that Frank always takes a historical approach in guiding his arguments. He was aware, however, as early as 1965 that a theory was necessary and that it had yet to be formulated (see Frank 1981: xi). But since his approach was always historical he could never reach a theory. *Logic* should have preceded *history*, as Marx said many times. This is why such fundamental categories as value, price of production, and transfer of surplus value are not used by Frank – but neither are they used by the majority of his critics.

Fernando H. Cardoso and Enzo Faletto wrote a critique of developmentalism, *Dependency and Development in Latin America* (1970–9), in which

they concluded that ‘... the relation between economic process, structural conditions, and historical situations makes clear that *theoretical schemes* concerning the formulation of capitalist society in present-day developed countries *are of little use* in understanding the situation in Latin American countries’ (Cardoso and Faletto 1970: 161; 1979: 172). Exactly the same could be said of the work of these two authors. The weakness is clear. In the entire text, not a single one of the essential categories of Marx’s critical political economic discourse is used. The chosen approach is once again historical and lacking in clarity. Chaos is introduced and nothing but chaos can be the outcome. If we consider the work of Theotonio dos Santos in *La dependencia político-económica de América Latina* (Jaguaribe et al. 1970), and we ask ourselves what categories are used, once again we do not find the essential ones, but we find the reliance upon historical conditions to explain the process of development (in Jaguaribe et al. 1970: 153–4, 174, 180).⁴

Dos Santos’s thesis is that historical description comes first; second he defends himself against criticism – false, as we shall see – that dependency is not simply an external factor; third, he places dependency at the level of a ‘condition’ and not of a ‘determinant’ of less developed total national capital as such. For her part, Vania Bambirra, in her defence of the dependency theory, lists the various accusations against the theory as ‘a neo-Marxist idea; it uses bourgeois analytical categories; the class struggle is absent; it is economist; it does not go beyond the theoretical framework and the problems posed by developmentalism; dependency is a nationalist concept ...; dependency is viewed as an external phenomenon’ (Bambirra 1978: 34).

However, if we consider the categories used by Bambirra, we can see that she never made use of concepts such as value, surplus value, transfer of surplus value, etc. Her argument consisted of categories foreign to those coined by Marx himself (and which I use in this chapter). She shares an extremely important view, however, with other Latin American authors. For her it is a matter of analysing the situation of dependency.

Obviously not in the sense of a general theory of the capitalist mode of production, since that *was done by Marx*; nor of a dependent capitalist mode of production, *since that does not exist*; rather, [in the sense] of a study of the dependent capitalist economic–social formations, that is, and analysis at a lower level of abstraction ... In my judgement the theory of dependency should be understood as the creative *application* of Marxism–Leninism.

(Bambirra 1978: 26)

This is an extremely serious theoretical question for many reasons. In the first place, it is not true that Marx ‘did’ (completed) a theory of the capitalist mode of production (in an Althusserian sense or in Marx’s own sense?). He only *began* his theory and it was *unfinished* upon publication of the first of the projected three parts (which represented only $\frac{1}{72}$ of his total project).⁵ To

write that indicates a lack of knowledge of Marx’s project. Furthermore, the development of the concept and the construction of the necessary categories of the fundamental essence of a dependent, underdeveloped, or peripheral total national capital are perfectly possible, or at least strong arguments must be made to prove them impossible. This would require conceding that the enemies were right in asserting the impossibility of a ‘theory’ of dependency as a development of Marx’s own discourse, as yet unfinished at the level of the general concept of capital. Last, it appears that the ‘study’ of historical social formations can never be a theory of dependency: it can only be a phenomenal description in time and in space of the development of the underdeveloped, dependent, peripheral total national capitals. To assign myself the task of ‘applying’ an unfinished theory – such as Marx’s – would be to place myself in an unacceptable ‘scientific and cultural dependency’.

We now turn to some authors whose theses came closest to the manner in which Marx dealt with questions. Ruy Mauro Marini studies dependency largely following the approach of authors concerned about ‘unequal exchange’. Marini understands ‘transfer of surplus value’ (Marini 1973: 37),⁶ based on his correct use of such categories as organic composition of capitals, differences in values, prices of production and market prices, etc. Nevertheless, he errs when he confuses a ‘compensation mechanism’ (Marini 1973: 35) with an essential determinant: ‘Latin America had to accomplish it through ... accumulation based on the superexploitation of the worker. In this contradiction lies the *essence* of Latin American dependency’ (Marini 1973: 49). ‘The central thesis ... of the *foundation* of dependency is the superexploitation of labour’ (Marini 1973: 101). Actually the essence or foundation of dependency (as Marx would say) is the transfer of surplus value from a less-developed total national capital to the one that is more developed. It is necessary to compensate for this loss by extracting more surplus value from living labour in the periphery. Dependent capital hence drives the value of the wage below the value necessary to reproduce the capacity to work – with all the known consequences. At the same time, it intensifies the use of this labour by reducing the time necessary to reproduce the value of the wage, relatively and in new ways. Marini errs, as we said at the start, by confusing the essence with its effect. This was of decisive importance in Latin America since nobody had consistent clarity on the *essence* of dependency.

The best proof of this was the 1974 Sociology Congress. There, Gérard Pierre-Charles, the Haitian intellectual, defined dependency as ‘the extraction of surplus value for the benefit on the centre’ (1979: 47), but like others he did so merely in passing, as if not to give it much importance, and turned to what he believed was essential: ‘the process of successive approximation and concretion at the level of the dominant mode of production and of the different modes of production prevailing in each national society’ (Pierre-Charles 1979: 47). He then criticized those who had not gone beyond a ‘general’ (abstract or Latin American) theory. The point was that without having

reached some clarity on the *minimal* and *necessary* framework of categories, discussion was to revert to the concrete, to the national. Therefore, *never again* was there an attempt to define the transfer of surplus value, which was mentioned in passing. It was not noted as an essential matter.

Another eminent Latin American sociologist, Agustín Cueva, believes that ‘national contradictions’ (Cueva 1979: 67) are not of interest of Marxists, who should only be concerned with ‘class contradictions’. Apparently, to analyse the contradictions between nations is characteristic of bourgeois nationalist analysis and contrary to class analysis. He writes that ‘there is no *theoretical space* in which a Marxist *theory of dependency* can rest ... Besides, the theory of dependency presents another problem which is the non-dialectical treatment of the relations between the external and the internal. The all-embracing predominance of the category of *dependence over exploitation, of nation over class*’ (Cueva 1979: 81, 92).

For Cueva there is dependency *or* exploitation, domination of one country over another *or* domination of one class over another. The former excludes the latter for some hypothetical dependentistas, but for Cueva, the latter excludes the former. Nevertheless, for Marx, neither one excludes the other, and he says so *explicitly*:

From the fact that the profit may be *less* than the surplus value ... it follows that not only individual capitalists but nations too may continuously exchange with one another ... without gaining equally thereby. One nation may continuously appropriate part of the surplus labour of the other and give nothing in exchange for it, except that here the measure is not as in the exchange between capitalist and worker.

(MECW. 29: 244)⁷

Indeed, and as we shall see, the relationship between capitalist nations is one of *competition* (not one of exploitation, but one of dependency; of extraction of surplus value by the stronger capital, and of transfer by the weaker). But this is not in opposition to the *exploitation* of one class by another, of labour by capital; rather it can be perfectly well articulated alongside it. In this latter case there is no transfer of surplus value but rather, properly speaking, appropriation of surplus value. However, the surplus value appropriated by capital in the vertical capital–labour relationship (exploitation) is the source of the transfer from a weak capital to the stronger on a horizontal level (competition, dependency). In sum, we have a non-Marxist criticism of positions that defend dependency also in a non-critical manner. This is what happens when it is thought that Marx completed the essential theory and that it is only necessary to go to the concrete history to apply it. To think this is to fail to understand, as we said, the *open* character of Marx’s own theory and the need to *continue* it.

Salomón Kalmanovitz was able to overcome the false exterior–interior contradictions (dependency upon external capital and internal national industrial

structure), but he slips anew into the historical discourse (1983: 32ff.). He clearly puts forward many more variables to explain a model of dependency, but again the *essence* escapes him. He is aware of the issue, however, for he writes that ‘it would be an impossible task to try to reconstruct the way in which Marx would have approached the problems of the world economy, world trade, and the struggle between nations. One can be sure, however, that he would not have used categories that make it difficult to understand the laws of movement of the world totality’ (Kalmanovitz 1983: 29ff.).

If this were ‘impossible’, then this book would be superfluous. I think that it is difficult but not impossible. Marx would have expressed the essential and fundamental simply: Dependency consists of the transfer of surplus value from a less-developed total national capital to a more developed one.

13.2 ‘Competition’: the theoretical location of dependency

In order to understand the ‘concept’ of *dependency in general*, or its *essence* in Marx’s sense, it is necessary to develop this concept starting with ‘competition’. It should be stated at the outset that ‘monopoly’ is nothing but the negative moment in the development of the concept of competition; that is, monopoly can be understood from within competition, from its essence, as a ‘possibility’.

I use a strict Marxist method to treat the *abstract* concept of dependency in my section on the ‘essence’ of dependency; in my section on the phenomenon of dependency, in the concrete the question will be much more complex but its development will be based upon the conclusions we may reach not in the *historical*, but in the *logical* analysis, just as Marx thought.

In a letter of 28 December 1846 to Engels, Marx wrote:

Monopoly is good because it is an economic category ... Competition is good because it, too, is an economic category. But what is not good is the reality of monopoly and the reality of competition. And what is even worse is that monopoly and competition mutually devour each other. What is to be done about it? ... But take a brief glance at real life. In present-day economic life you will find, not only competition and monopoly, but their synthesis, which is not a *formula* but a *movement*. Monopoly produces competition, competition produces monopoly.

(MECW. 38: 101)

Nevertheless, Marx never dealt with the question of competition strictly speaking, because it was to be the second part of the first treatise, after that on capital, and before those on credit and joint-stock companies, and that is clear even in *Capital*.⁸ For this reason, Marx’s doctrine on ‘competition’ is dispersed and must be traced throughout his work.

Dependency is a moment in the competition of capital. Competition, for its part, is founded on the *possibility* of devaluation and crisis, which are aspects of the very essence of capital (see Chapter 8, section 4). The workings

of competition (and therefore of dependency) are one *real* existing moment of the mere possibility of crisis and devaluation in the spoliated capitals.

Indeed, the movement through which the commodity is transformed into money is inherent to the essence of capital; the realization of capital. The split between commodity and money is founded, in the end, in the contradiction of the commodity, being simultaneously a use-value and an exchange-value. In this original split is contained the possibility of competition and of dependency. Or, put another way, dependency would not be possible were it not for the original contradiction between use-value and exchange-value; one capital’s extraction of value from another would be impossible (see Kuntz 1985: 100ff.).

A crisis is a disproportion between two intrinsic and essential terms of capital (for example, between commodity and money; overproduction or under consumption). It is the devaluation of one of the terms. By the mediation of international competition a crisis becomes apparent and real in the devaluation of the dependent capital with regard to the dominant one. The crisis, in the dependent capital, is not only a possibility but an always-existing *reality*. Its perpetual devaluation in competition marks it as intrinsically contradictory, or as a sphere of capital where contradictions are always really existent.

Put another way, in the essence of capital, crisis is a necessary moment as a possibility. In competition, which is no longer just a possibility but a reality, a mediation takes place that is necessary to capital’s existence: *Free competition* is the relation of capital to itself as another capital, i.e. the real behaviour of capital as capital’ (MECW. 29: 38).

In general, as in the case of one capital with respect to itself, capital can only realize itself (become real) when the commodity is negated as a commodity and is affirmed as money. But money arises from *another* term than a given capital: from the buyer of capital or from the individual consumer. It cannot realize itself *alone*. Therefore the idea of a single world capital (empirically one) is in contradiction to the concept of capital. *In general*, capital confronts itself as another capital. *In the concrete*, because of competition, ‘many’ capitals confront each other. Competition is the very movement of capital’s being in concrete, in reality. It is its ‘repulsion and attraction’,⁹ that is, capitals need other capitals to realize themselves (attraction), but they confront each other to devalue (repulsion).

The reciprocal compulsion exerted under free competition by capitals upon one another ... is the *free*, and at the same time *real*, development of wealth as capital.

(MECW. 29: 39)

Competition executes the inner laws of capital; it turns them into coercive laws in relation to the individual capital, but it does not invent them.

(MECW. 29: 136)

Indeed, competition neither creates the law of capital nor does it create any value: it is only the realization of what already exists in essence, in value, according to the law of value.

Competition in general is an active *relationship* between two terms (two capitals in the abstract) which permits a unity, a communication between them, constituting a synthesis that includes them: *a totality* – as Frank saw – in contradictory tension, when each one has the possibility of valorization through or by mediation of the other. (In reality there are two possibilities: that there be simple barter without mutual valorization – exchange of equivalent species between equal capitals; or that one valorize itself at the expense of the other – devaluation and crisis of the weaker capital). All this, for Marx, is an accomplishment of the ‘law of value’, without leaps, where value (or surplus value) circulates from one capital to another. In the *Manuscripts of 1861–63* Marx has constructed new categories and he can now state the ‘fundamental law’ of all competition more clearly than in the *Grundrisse*. In Volume 3 of *Capital*, Marx writes:

... the capitalist can sell the commodity at a profit even if he sells it at less than its value. As long as its sale price is above its cost price, even if below its value, a part of the surplus value contained in it is always realized, i.e. a profit is made ... The *basic law* of capitalist competition ... depends ... on this difference between the value and the cost price of commodities, and the possibility deriving from this of selling commodities, below their value at a profit.

(Marx 1981b: 127–8)

The case of rent, as a paradigmatic example, has allowed Marx to construct these categories: value of the commodity, average profit, price of production (after many doubts as to its denomination with respect to ‘cost price’) as different than cost of production, market value, and market price. The case of rent (see section 7.4) is one of the possible levels of competition.

Indeed, for Marx, competition acted in different ways at various levels. Among individual capitals and branches, competition acts in the same form. This was a discovery by Marx in the *Manuscripts of 1861–63*. In *Capital*, Marx wrote that competition brings about ‘the establishment of a uniform market value and market price ... But it is only the competition of capitals in *different* spheres that brings forth the production price that *equalizes* the rates of profit between those spheres’ (Marx 1981b: 281; cf. Müller 1978: 103–80). There is competition between *individual* capitals (in one or several branches), competition between different *branches* of production (and this is the case of rent), and competition between *nations*; this third case is what interests us.

We thus obtain various sets of cases which we can consider either as successive changes in circumstances for the action of one and the same capital, or, indeed, as *different capitals*, existing simultaneously alongside one

another, and brought in for purposes of comparison, e.g. from different branches of industry or from different countries.

(Marx 1981b: 145)¹⁰

The concept of capital in the abstract, in general (because of its content as *one*) of *one* branch, of *one* country, must now be split methodologically at a more concrete level (although still *in the abstract*) into two capitals: *two* individual capitals, *two* branches, *two* nations. Their behaviours are proportionally analogous, or similar. What is said at an essential level for capital in general holds now for competition among capitals. We find ourselves, then, having to construct *new categories*, or of determining the concepts and their denomination in order to formulate a *rational*, scientific discourse – in Marx’s sense: a theoretical course through categories, without leaps, that develop the concept of dependency.

Indeed, in the three volumes of *Capital* and in the *Manuscripts of 1861–63*, Marx studied only the concept of capital in the abstract (although there were attempts at greater concreteness in his work of 1867). He never studied the concept of competition specifically, nor the state (the fourth part), nor external relations among states, nor the world market.¹¹ In the plan that included these topics, Marx once again follows a Hegelian order.¹²

Capital in general, the concept, is now split in *two*. Here a clarification is in order. There is frequent talk of ‘less developed nations’, ‘countries’, etc. We should make it clear right now that ‘nation’ or ‘country’ are *concrete* social formulations;¹³ it would be more correct and strict, however, to speak of ‘total national capital’,¹⁴ because we are at the abstract level of the concept of *dependency in general*. Because a ‘total national capital’ is dependent upon competition with respect to another more developed capital, the country or nation that contains or is determined by said ‘total capital’ is called the less developed, dependent, etc., ‘nation’, not vice versa.

In the abstract, then, the concept of dependency is developed through competition among total national capitals – and we are not speaking of states, nor of their *external* national relations, nor of countries – in the *world market*.

In the world market the *external* sphere of a nation is as internal to that market as the *interior* sphere of the same nation. To speak of dependency as an *external* aspect of a nation is non-dialectical:

Just as the market by and large divides itself into the home market and the foreign market ... the world market, which is not only the domestic market in relation to all the foreign markets existing outside it, but at the same time the domestic market of all foreign markets as, in turn, components of the home market.

(MECW. 28: 210)

Within the ‘world market’ there is a ‘total world capital’ (the only one –

along with capital ‘in general’ or in the abstract – in which the total surplus value is equal to the total profit), parts of which are the ‘total national capitals’. It is within ‘total world capital’ (not as a *single* capital, but as the sum of *all* real capitals) that international *competition* fulfils its role in the levelling and distribution of the total world surplus value (at least that of the capitalist nations).

Competition not only plays its role in the levelling or distribution of the surplus value produced, *post festum* (in the circulation of commodities); it also interferes in the process of reproduction (*ante festum*). The question of dependency, therefore, is not merely a circulatory moment, but also a reproductive moment, always within the sphere of ‘total world capital’ to which the less-developed ‘total national capital’ turns, not only with export and import but through multiple other mechanisms that articulate it as a ‘part’ of a ‘whole’ that includes that ‘total national capital’ in *all* its moments.

It is worth highlighting that ‘total national capital’, for its part, has its own productive moment properly speaking (factory production, etc.) and its circulatory moment (in the ‘national market’). Both spheres have their own consistency (not only because of borders and customs policies, but also because of the state, armies, history, national culture, average wages, and so forth), but it is relative, not absolute. ‘Total national capital’ is *relatively autonomous* within total world capital. This autonomy is denied by abstract and illusory ‘class struggle’ internationalism. The same autonomy is absolutized by bourgeois populist nationalism. Thus, the dependency of a less-developed total national capital with respect to the domination of the more developed, in the context of total world capital’s internal competition, is the topic we must define clearly.

Finally, here – against the supposed free and fluid movement of competition on a world scale – we would like to underline the importance of the ‘national’, determined by non-economic factors:

... *state* intervention has falsified the natural economic relation. The different national wages must therefore be calculated on the assumption that the part of them that goes to the state in the form of taxes was received by the worker himself ... eternal laws of nature and reason, whose free and harmonious working was only disturbed by the intervention of the *state* ... *state* intervention, i.e. the defence of those laws of nature and reason by the *state*, *alias* the system of protection, was necessitated ...

(Marx 1977: 705)¹⁵

But once a state is institutionally constituted in a bourgeois country, its borders, as Marx points out, are cultural and historical as well as military and political. Not only does it influence average national wages, but it also provides a glimpse at the issue of a world average: ‘... one the *world market*, *national* labour which is more productive also counts as more intensive, as long as the more productive *nation* is not compelled by *competition* to lower

the selling price of its commodities to the level of their value’ (Marx 1977: 702).

Objectively or relatively, the product of a less-developed national capital contains a greater proportion of labour value (‘higher price of labour’, although *subjectively* or *absolutely* the worker receives less per month’ (‘a lower wage’). In the more developed countries the worker subjectively receives *more wages* per capita (creating a larger internal market), but the value of the commodity is *less* (it has a lower proportion of wage value: it needs less necessary time per unit of product).

In the same manner, because of protectionism (a form of monopoly in which England was undisputed master) established since the industrial revolution there is no fluidity in the world transmission of technology, of population, of capital as a totality. There is then a *national average*, both of wages and of the organic composition of capital.¹⁶

To conclude, competition is the real locus where the *various values* of commodities in a branch, or of one of the branches of a country, or of a country in the world market, come to have *a price*. This levelling of all values into *one price* assumes a distribution of the surplus value achieved in each commodity, branch, or country between the other components of the respective markets. It is in this levelling of prices that one can verify the phenomenon of dependency, which is nothing more than a concrete and specific sphere of competition. At the outset, then, everything that may be said about competition in general can be applied by analogy to dependency in particular. Competition is the ‘theoretical locus’ of dependency. Contrary to many, we can say that there is ‘theoretical space’ in Marx’s strict discourse for this question which is so central to Latin American social sciences. Not only is there space – it was *explicitly traversed by Marx himself*. However, it requires our *continuing* it theoretically. (It is erroneous to think that Marx completed the theoretical discourse and it is only up to us to *apply it*.)

13.3 The ‘essence’ of dependency: transfer of surplus value as a result of international social relations

This section deals not with genetic or historical factors or determinants of the concept of dependency, be they partial or well-founded, but only with the *essential* determinants, in Marx’s sense. This question, which seems so simple because it is so obvious, has received practically no attention. Without clarifying the ‘essence’ of dependency from its superficial, phenomenal, apparent or even causal determinants (the cause or determining factor is not the essence itself), there could be no prior agreement on the concept of dependency *as such* – even among those who called themselves Marxists.

So the matter of the *essential concept* of dependency was passed over, and the discussion centred on its secondary determinants. Since within these secondary determinants, on a concrete, genetic–historic plane or within the real historical formations, the problem is much more complex, a dead end

was reached around 1975. It was simply impossible to go any further, and the question of dependency was abandoned as a theoretical problem without ever having been solved. The error was made back in the mid–1960s when the *dead-end* route was chosen by confusing the *essence* of dependency with its multiple, phenomenal, historical *appearances*. It was a question of method, therefore, and there were no philosophers in the dispute.

Insofar as we are of the opinion that the issue of current external debt is a mechanism for the *transfer of surplus value* via the payment of interest, it seems important to relaunch social science thinking toward correctly dealing with the ‘dependency question’ and to clarify the *concept*. Let us start anew, then.

It is not a matter of ‘applying’ but of *continuing* Marx’s discourse, contrary to what Vania Bambirra thinks. One must not go *directly* to the concrete of the social formation of ‘each national society’ (as is suggested by Gérard Pierre-Charles), but remain at a certain level of abstraction (more concrete than that of capital in general, but more abstract than that of the concrete social formation). At this proper level of abstraction, it is also necessary to know how to define the ‘*theoretical space*’ within which it is possible to describe the essential determinants of the concept of dependency (which Agustín Cueva absolutely denies exists). Last, it will be necessary to go toward the most *simple* essence without complicating the issue beforehand with more concrete variables (as Kalmanovitz does).

If one is to speak of the essential determinant of dependency as such, in the most abstract sense, one cannot forget that even the transfer of surplus value is a moment based upon a prior reality. Indeed, for Marx, economic facts are above all human; they are human *relations*:

In other words, the labour of the private individual manifests itself as an element of the total labour of society only through the *relations* which the act of exchange establishes between the products, and, through their mediation, between the producers. To the producers, therefore, *the social relations* (*gesellschaftliche Verhältnis*) between their private labours appear as what they are, i.e., they do not appear as direct social relations between persons in their work, but rather as material (*dinglich*) *relations between persons* and *social relations* between things.

(Marx 1977: 165–6)

The capital–labour relation¹⁷ is, above all, a relation between persons (a face-to-face relation). It is a ‘social’ relation insofar as the two persons in the relation are isolated and abstract, without a community (see Dussel 1985a, sections 4.2 and 17.4). If the products can be ‘fetishized’ in simple commodity exchange, then that can be intensified when highly fetishized capitals are competing. That is, capital – as such and in the eyes of the capitalist – is a *thing whose essence is value*. When ‘two’ capitals *compete*, it would merely be a matter of two *valuable* things – value would be inherent to it as capital. The

transfer of value from one capital to another, via competition, appears in the eyes of both as a social relation between things. Capitals compete, the prices of their products are levelled, and the capitals transfer their surplus value from one to the other. It seems that nothing human takes place: or better, the fetishized capitals themselves have taken on the physiognomy of living, personal subjects in an active exchange.

In reality, however, the two capitals in competition are nothing but *things* that are held, appropriated, possessed by ‘two’ capitalists in contradiction. To speak of two capitals, of two capitalists, or of two capitalist classes is here analogically the same (from a more abstract to a more concrete level).

That is, when we speak of ‘two’ total national capitals in competition, in reality we are referring to the *social relation* (between persons who do not constitute a previous community) between the social classes that are the subject of appropriation by both capitals. It is a matter of the *national bourgeoisies confronting each other* (setting aside the states and other actors that must enter into a *more concrete* consideration of competition between *social formations*, which is not the same as between total national capitals).

From the outset, and we have noted this earlier, the capital–labour social relation (which we shall call vertical) is one of exploitation. It is the relation in which labour *creates* new value, produces surplus value. The international social relation of a national bourgeoisie that possesses the more developed total national capital in competition with the bourgeoisie of the less-developed total national capital is no longer one of exploitation; it is now horizontal. We shall call it a relation of international domination; it is the relation in which, via competition, surplus value is *transferred* (but *not created*).

In the treatise on competition, the second one after that on capital in general, Marx would have dealt with this question: the domination of one capital over another in competition, which produces a transfer of surplus value from the weaker capital toward the stronger. This transfer, as we have said, is an effect of *domination*. The practical (ethical) relation by which one class dominates another (even if both are bourgeois) is realized in history by the apparatuses of the state (armies, naval forces, etc.). If the state was to be dealt with by Marx as a fourth part of his plan (after rent and wages, and in which the world market was to be the sixth part where international competition between total *national* capitals was to be dealt with), it is evident that Marx was not about to study our question explicitly. Maybe it would have been a chapter in that sixth part or, simply, a seventh part, not even planned (cf. Dussel, 1985a, Ch. 18, especially section 1).

Now, competition between total national capitals of different levels of development does not happen naturally with equal willingness on both sides. And if living labour is violently coerced to sell itself (via the dissolution of previous ways of reproducing its life, and the destruction of the institutions that could have defended it by the direct and repressive action of the bourgeois state if need be), in an analogous way (although no longer as capital–labour exploitation, but as capital–capital domination) the less-developed

capital is coerced (violently in many cases, as, for example, in Paraguay in 1870, or under Latin American populisms since 1954, as in the case of Arbenz in Guatemala, or in Nicaragua in 1987) to *enter international competition*.¹⁸ The natural reaction of a less-developed capital is to protect itself by refusing competition, fortifying its borders, and establishing a ‘nationalist’ *national monopoly* (within which there may be intra-national competition). This would be the only capitalist way to accumulate capital and develop autonomously. However, the more developed capital tends to destroy all of the less-developed capital’s protectionist barriers and imperiously shoves it into competition. Once *in competition* the more developed capital will extract surplus value from the less developed capital.

The international social relation of domination between national bourgeoisies determines, then, the transfer of value in world competition. What is the *fundamental law* of competition or of this transfer of capital with regard to dependency?

It must be recalled that this law is a particular application of the law of value and the law of competition in general. The law of value is fulfilled in dependency, contrary to what some think (even those Marxists pursuing Ricardo’s mistaken road). Indeed, Ricardo thought that the transfer of ‘profit’ took place only within a country and that between countries there was only equal exchange, or that one national capital could not benefit from its advantage over another:

Capital, if there were any difference in profit, would *transfer* (*übertragen*) rapidly from London to Yorkshire, but if as a consequence of the growth of capital and population wages increase, and profits fall, capital and population would *not because of this* necessarily move from England to Holland or to Spain or to Russia, where profits would be greater ... The *emigration* of capital (from one country to another) *finds obstacles* in the imaginary or real insecurity of capital when it is not under the direct control of the possessor together with his natural reticence which any person feels upon abandoning the place of his birth and relations, and trusting himself with all his established habits to a strange government and to new laws.

(Ricardo, quoted in Marx 1974b: 811, 812)

When ‘it is a matter of different countries’ (Marx 1974b: 811), then, it would appear, according to Ricardo, that we are in a situation of pure and simple barter, because in exchange ‘we cannot create any value’ (Marx 1974b: 809). This leads him to conclude that ‘foreign trade values can never be increased’ (Marx 1974b: 810).¹⁹ Marx, who disagrees, sees advantage in exchange. The profit achieved by the stronger country is not spent only unproductively as consumed income, but the capital achieved can be invested to put ‘in movement new labour with the new value, and thus bring to light *new values*’ (Marx 1974b: 810).²⁰ For Marx, then, the law of value continues to rule

international relations, and there can be profit in exchange between nations. What is the law that rules this exchange? It is the same as that of *competition* in general.

To study Marx’s answer we must look at two chapters which are methodically *more concrete*,²¹ no longer at the extremely abstract level of capital *in general* (or of the concept in itself), but at the level of the confrontation of *many* capitals (which was to have been laid out in the second, unwritten, treatise on competition, or in the much later section on exchange in the world market). Indeed, to understand the *fundamental law* of dependency, or of competition in general at the international level (a determination derived from the international social relation of the respective bourgeois), it is necessary for certain conditions to be met: first, that there be *different values* in a product (e.g. in Houston and in Mexico); second, this difference must be the fruit of a *different degree of organic composition* of the capitals involved (of the more developed total national capital of the United States, and Mexico’s less developed total national capital), at a material, objective level, or due to the technological determination of the mode of production in terms of its value; third, as codetermination of the preceding (dialectically intertwined, as Palloix indicated), that there be *different wages* – a higher absolute or subjective wage (that which is received by each worker) in the more developed capital, and a higher relative or objective wage (the proportion of wage value contained in *each* product) in the less developed capital; fourth, both the organic composition and the wage are established within the *national* context (an oft-forgotten issue; at the concrete level this determination is fundamental – the total capital is *national*).²²

That certain products may have different values (commodity value) and nevertheless the same price (‘cost price’ at the beginning of the *Manuscripts of 1861–63* and ‘price of production’ is Marx’s definitive denomination) is the theoretical solution to this apparent antinomy.²³

Let us look more closely at the first aspect: the existence of products or commodities with different values. Marx deals with this when he says that the ‘*greater the organic composition, the lower the value of the product*. This is Bettelheim’s position versus Emmanuel, and it is correct. It would determine the first type of unequal exchange (by the mere difference in organic composition). In this case we are not interested in the rates of surplus value or of profit, since in an abstract manner we are only considering the total value of the product.

On the other hand, products also have a different value because of the difference in wages. This is the aspect highlighted in a unilateral way by Emmanuel (and therefore Palloix is right in showing that it is complementary to the previous aspect), which would determine a second type of unequal exchange (for Emmanuel, strict unequal exchange):

What appear within the movement of wages as a series of varying combinations may appear for different countries as a set of simultaneous

differences in *national wage levels* ... it will frequently be found that the daily or weekly wage in the first *nation* [with a more developed capitalist mode of production] is higher than in the second [with a less developed capitalism], while the relative price of labour, i.e. the price of labour as compared both with surplus value and with the value of the product, stands higher in the second than in the first.

(Marx 1977: 701, 702)

It is here that the conditions resulting from ‘natural and historical development’ (Marx 1977: 701), the historical reality of the nation, of the state, establish *national* borders that capital cannot easily transcend. The fluidity of capital (as was indicated by Palloix (1971), although he would incorrectly deny this later) is not total: It cannot go from ‘England to Holland’ with the same speed that it goes from ‘London to Yorkshire’. There is a *fundamental barrier* which must be studied very closely in Latin America today: the *national* border. It is not merely a juridical or geographic border. It is a border that is historical, social, cultural, technological, of ‘modes of consumption’ (the *national* bourgeois state), military, and fundamentally economic. The *national* market, as a moment of total *national* capital, has been passed over by a certain abstract internationalist Marxism. Marx speaks to us of an ‘average wage’ (see Dussel 1988, section 3.4), and also of an ‘average national wage’. Emmanuel studies this point and allows us to discover the *national* aspect, not only of wages but of the entire ‘total *national* capital’, within which the national average of a country’s (absolutely or subjectively) lower wages have to do with the low organic composition of capital and with the international *social relation* of domination (since the metropolitan states with regard to the colonies, or the imperialist states with regard to dependent nations, exercise a coercion that is *internal* to the world market and *external* to the dependent domestic market: a political, practical, ethical relation).

Having accepted the position that commodities can have a different value but the same price, whether as a result of different organic compositions or of the different wage levels in the international order, we can take up the law of dependency. Given the diversity noted in the value of products or commodities, a particular phenomenon occurs upon entering competition:

Capital invested in foreign trade can yield a higher rate of profit, firstly, because *it competes* with commodities produced by other countries with *less developed production facilities*, so that the more advanced country sells its goods above their value, even though still more cheaply than its *competitors* ... The privileged country receives more labour in exchange for less, even though this difference ... is pocketed by a particular class.

(Marx 1981a: 344, 345)

This ‘particular class’ is the national bourgeoisie of the more developed country.

Competition, or the movement that confronts two total national capitals, *does not create value*, rather it *distributes value* via the *equalization of prices*. To create *value*, to distribute (or transfer) *value*, therefore, is not the same as to equalize *prices*. It is, once again, the whole question of the passage *from value to price*.

Let us repeat. The ‘development of the *concept of dependency*’ demands order in the constitution and exposition of categories. The first aspect is the possibility of the existence of products or commodities of different value. The second aspect is to place these products in competition. Thus placed face to face (in reality, so as not to fetishize the unequal exchange of international values, it is not the products but the corresponding national bourgeois classes which are face to face) an *equalization* takes place, although not of values (which can never be equalized), but of *prices*.²⁴ The law of value regulates or controls this equalization. In the *Manuscripts of 1861–63*, in opposition to Rodbertus (ch. 7 on rent), Marx discovers the category of ‘*average profit*’. If we apply this at the international level we will have enunciated the fundamental law of competition, of equalization, of the distribution of value, and, therefore, of dependency insofar as it is a transfer of surplus value.

When there is an international exchange of commodities which are products of total national capitals of different levels of development (i.e. of different organic composition and with different average national wages), the commodity of the more developed capital will have a lower value. Competition, however, equalizes the price of both commodities at a single average price. In this manner, the commodity with a lower *value* (that of the more developed national capital) obtains a *price* greater than its value, which it realizes by extracting surplus value from the commodity with a higher value. Therefore, the commodity of the less developed capital, although it may realize a profit (if its price is less than the international average price), *transfers surplus value* because the average international price is less than the national value of the same commodity.

This fundamental law is *explicit* in various forms in Marx, and it is usual in classical Marxism such as Grossman (1979), for example. We can thus conclude that dependency, in the logic of Marx’s own thought, is an irrefutable concept. Therefore, the whole Latin American polemic around this issue simply manifested a lack of methodological rigour. That is, *dependency* exists at an abstract, essential, or fundamental level, and it is the international social relation between bourgeoisies possessing total national capitals of different degrees of development. In the framework of competition, the less developed total national capital finds itself *socially dominated* (a relation between persons), and, in the final analysis, *transfers surplus value* (an essential *formal moment*) to the more developed capital, which realizes it as extraordinary profit.

Some might say that this is obvious, that nobody has denied it. But this is not so. Because these *obvious, essential*, and abstract questions were not defined beforehand, and the discussion proceeded directly to *history* (instead of to the essential *logic*), mistakes and confusions were committed that were naive from the standpoint of good Marxism.

Let us now look at the more concrete and complex level and at some problems which can and should be discussed; there can now be contradictory positions which will not in any way put into question the abstract concept of dependency.

13.4 The phenomena of dependency and necessary categories

‘Phenomenon’ in the strict language of Hegel or Marx can mean what is merely apparent, what does not correspond to the real, or what ‘appears’ of the real, of the essential. We want to use the term in the second sense. Dependency ‘appears’ in the world of competition though its ‘phenomena’, which are superficial, secondary, or based upon its essence. But they are not the profound essence, what is ‘hidden behind’ – to express ourselves as Marx did. The phenomena of the essence of dependency manifest the profound structure through the mediation of its founded or secondary determinations. Thus the *transfer of surplus value* from a less developed to a more developed total national capital can be studied genetically as history, or in its own intrinsic determinations (modes of accumulation, reproduction, of the progress of its organic composition or the different status of wages, superexploitation, monopolies, etc.), but knowing that we find ourselves on the plane of founded *explanations* (see Figure 13.1).

The phenomenal ‘indicators’ of dependency now must not be confused with the determinations of the essence or with the law of dependency – to express ourselves strictly, like Marx. Hegel would say: ‘The law is this simple identity of phenomenon with itself’ (Hegel 1971. Vol. VI: 156). ‘The phenomenal (*erscheinend*) world has in the essential (*wesentlich*) world its negative unity ... and returns as if to its foundation’ (Hegel 1971, Vol. VI: 159).

It is once again the question of ‘science’ (see Chapter 12):

The configurations of capital ... thus approach step by step the form in which they appear on the *surface* of society, in the action of different capitals on one another, i.e. in competition, and in the everyday consciousness of the agents of production themselves.

(Marx 1981b: 117)

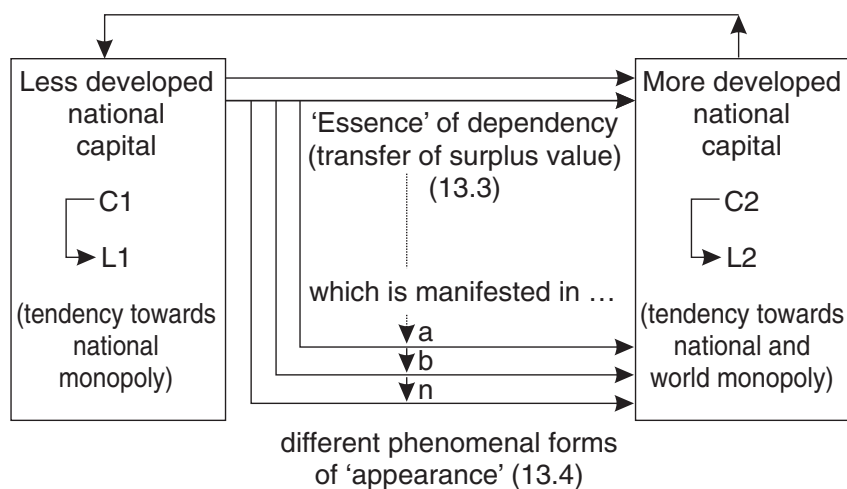
It is a self-evident necessity, deriving from the *nature* of the capitalist mode of production itself.

(Marx 1981b: 329)

Counteracting influences must be at work, checking and cancelling the effect of the *general law* and giving it simply the character of a *tendency*...

(Marx 1981b: 339)²⁵

International social relations of domination in the world system
(competition within the world market) (13.2)



Explanation: C1 = peripheral national capital; L1 = peripheral national labour;
C2 = central national capital; L2 = central national labour;
arrows a, b, n = different forms of the transfer of surplus-value.

Figure 13.1 Transfer of surplus value through international competition.

The *law* operates therefore simply as a tendency, whose effect is decisive only under certain particular circumstances and over long periods.
(Marx 1981b: 346)

Contrary to the case of the tendential fall in the rate of profit in capital, the transfer of surplus value from the less developed national capital to the more developed (an effect of the fundamental law) not only does not diminish as it is counteracted by the law, but it increases. This is due to the fact that competition (the essential ingredient of the indicated transfer) is annulled by monopoly, which instead of reducing the extraction of surplus value from the less developed capital, increases it in gigantic proportions. This multiplies domination, but is still founded upon the exercise of the law of value as the essence of the law of dependency. Let us consider the question in the complex phenomenal world, where we shall now see that the transfer or surplus value in the world order becomes accentuated, not as a law but as a tendency.

For example, the phenomenal fact that the exports of underdeveloped countries are produced by firms with a high organic composition would seem to contradict the fundamental law of dependency (this is Samir Amin’s argument in support of Emmanuel’s position).²⁶ As we are no longer at the

abstract and universal level of the essence, we see other determinations enter into play. If products of the developed capital of the peripheral country which do not establish competition (because they are not produced in the more developed country) are exported, the monopoly of the central country can act as a buyer. The more developed country, as the only buyer, sets the ‘international monopoly price’ of the product (coffee, for example) at less than the value of the commodity. If, on the other hand, it is a commodity which enters into competition, the more developed country can take various measures: it can protect its national products with customs barriers, such as imposing a tariff on the product of the less developed country; it can promote national production with fiscal incentives or subsidies, i.e. allocating funds to reduce its internal price, or it can loan capital on credit to the exporting firms of the less developed countries, as it did to the Mexican national petroleum company (Petróleos Mexicanos, or Pemex) (extracting surplus value through interest payments); or even set monopoly prices above their value for the means of production (which are only produced in the developed countries) and thereby eliminating all competition. All this indicates that the example provided by Samir Amin is a particular case that appears to annul the law. In reality there exist many possible measures that counteract that alleged annulment, with the result that tendentially the law of dependency is fulfilled.

Rosa Luxemburg, for example, points to another phenomenon that must be carefully considered. She tells us that:

Accumulation is impossible in an exclusively capitalist milieu ... Only through the constant expansion to new domains of production and new [non-capitalist] countries has the existence and development of capitalism been possible. Hence, violence, war, revolution, catastrophes, are in sum the vital element of capitalism from its beginning to its end.

(Luxemburg 1967: 450)

Clearly the extraction of wealth or of value from non-capitalist systems is a moment in primitive accumulation and in the constant accumulation of central capital. But dependency, in its essence, is *strictly* the extraction of surplus value through *industrial* capitalist competition. The point of departure is man and not apes: so, to discover its essence, one must look at the competition between total national *industrial* capitals of different levels of development (for example, Mexico, Brazil, or Argentina with regard to the United States in 1950) before looking back in time (toward the sixteenth century) to consider its genesis. It should not be the other way around, as so many specialist have attempted, beginning with André Gunder Frank: violence, war, catastrophes are not the only type of *social relation* with regard to the non-capitalist system. This relation of violence is proper to dependency as an international social relation of *domination*. When a country attempts to escape competition (from the world capitalist market, as Nicaragua did in

1987) it is militarily and violently coerced to return to the system of ‘freedom in competition’. That, for the dominant power, is ‘democracy’ (and that is also the ‘liberty’ of nineteenth-century Latin American liberalism, which should be profoundly restudied).

On the other hand, the question of primitive accumulation must not be confused with the accumulation proper to extraordinary profit in competition between already-constituted capitals. On this point also, Samir Amin does not do well in defining the difference between relations of primitive accumulation (developed total national capital vis-à-vis a non-capitalist system) and accumulation through competition in dependency (transfer of surplus value between already-constituted industrial capitals, even though they may have different levels of organic composition and wages).

Schematizing, I think that there are some levels or mechanism through which dependency operates (fulfilling its *law*, but accentuating it as a tendency with an even greater transfer).

A *first* mechanism is to be found in the type of concrete or phenomenal unequal exchange in which the concept of dependency, or its law, appears as such, that is, when there is competition, strictly speaking, between commodities produced both by the total capital of the more developed country as well as by that of the less developed country. In this case there is extraction or a transfer of surplus value according to the law enunciated. It is not necessary for this level to be empirically the most important (in number or quality). What is important is that it is the foundation for the functioning of the others.

A *second* mechanism is that of those products that are produced exclusively by the less developed capital of the peripheral country (coffee, for example). In this case, as we have noted above, the more developed country can annul competition (but not the law of transfer of surplus value nor the law of value) and organize a ‘buyers’ monopoly’. The ‘monopoly price’ is set according to the convenience of the more developed total national capital: this is exactly what occurs today with oil (having been stored in large quantities, a low ‘monopoly price’ can be set for it).²⁷

A *third* mechanism is at work with those commodities that are produced exclusively by the more developed capital (generally the means of production). A ‘monopoly price’ is set for them too. But in this case it is above the value of the commodities. The buyer (the capital of the peripheral country) pays more objectified labour for less (it transfers surplus value when it buys the necessary means of production).

A *fourth* mechanism is the use of international credits extended to the peripheral countries. Surplus value is once again transferred through the interest that must be paid.

Since about 1955 there has been a *fifth* mechanism, among others, for the extraction of peripheral surplus value: the transnational corporation, which is not in any way the direct presence of a *single* total world capital but rather the part of the total capital of the central countries that operates with its productive capital (factories, etc.) in the countries with a less developed national

capital. Here too there is a transfer of surplus value toward the ‘central-country-supports’ of those transnational capitals. These corporations do not suppress national entities; rather they assume them to such a degree that if there were not total national capitals of different levels of development they could not exist. Indeed, the transnational corporation transfers surplus value toward the centre because it produces commodities in the periphery itself with lower value (due to the organic composition) than the competing capitals of those underdeveloped countries. The extraordinary profits taken from the periphery by transnational corporations are realized in the central country thanks to the extraordinary profit that the centre achieves in competition with merely national central capitals, and because of the lower value of its products since it has a lower value wage component (in this case because the wages in the peripheral country are lower than in the centre, lower subjectively or per worker). The transnational corporation provides the best example for understanding everything we have noted up to this point. For Bettelheim and Grossman the organic composition is the basis of dependency or transfer of surplus value; for Emmanuel and Samir Amin low wages (subjective or absolute) are also responsible for the lower value of the product. The transnational corporation makes use of the difference between high-wage central capital and underdeveloped capital with low organic composition. It takes a normal profit, and on top of that it takes two extraordinary profits; the first, derived from creating surplus value from labour in the periphery; the second, by extracting surplus value through the transfer of value in the periphery’s national competition and then again by extracting surplus value through competition within the centre’s national market.

Thus, there are three possible quantities of value in a single type of product: the product of total capital in the periphery has the largest quantity of value (above the international ‘price of production’); the product of the more developed total national capital has a quantity of value that is less than the international ‘price of production’; and the product of the transnational corporations has a quantity of value even less than that of the product of the developed capital produced in the central country with high wages.

So that even if capital is monopolist, both in the centre and in the periphery, or in the relation of international unequal exchange itself, the concept of dependency and its law still hold at the phenomenal level.

This is the place to consider the multiple objections to the ‘theory of dependency’, and to proceed to analyse the lack of categories, the confusion, and the errors demonstrated by each of the positions. Let us take an example.

Superexploitation as presented by Marini can be explained perfectly well as compensation of the transfer of surplus value. As transfers increase yearly and as peripheral capital tries to achieve a constant rate of profit, the product must maintain its value, increase its surplus value, and the value of the wage objectified in it must diminish in relative terms. Superexploitation is the counterpart to supertransfer. As the labour capacity of the peripheral worker falls in value, his price or wage falls²⁸ in relation to the increase in transfer.

Also, it was demanded of the concept of dependency in general that it explain each Latin American nation through its national history. It was said that this would explain *everything* in *external* terms (like dependency) and the response was to try to explain everything in *internal* terms (attempting thereby to deny dependency). In reality, dependency simply situates the less developed total national capital (or the nation or country that is the subject of that capital) in the world market and within the competition which capital necessarily engages in. To deny this is simply to deny the existence of capital. To expect this phenomenon to explain all concrete levels (all national histories) is as naive as attempting to directly *apply* the three volumes of *Capital* to the concrete situation of a dependent country. The latter may well be the basic error. That is, since it was thought that Marx had completed the entire theoretical discourse, all that was left was to describe the concrete history. Hence there was no *theoretical space* for a concept of dependency, because there was no space between capital, all possible theory, and concrete history. This error (since there is very much theoretical space after *Capital*, as Marx repeatedly notes) led to demanding of the theory of dependency (which was interpreted as a concrete and not an abstract theory) that it provide all explanations. But that cannot be; one must not ask of dependency *in abstract* more that it can give, *nor take away from it that which it can give*. It is a concept used to situate the question of the increasing structural transfer of surplus value from peripheral total capital and, therefore, of its perennial *crisis, devaluation, and inviability*.

To speak of transfer of surplus value from the periphery toward the centre is to speak of the robbery of objectified *human life*, living labour extracted from the poor countries, poor because they are despoiled. It is living labour that is the *creative* source of all the value of the more developed total national capital, as well as of the less developed. The fundamental *ethical* and political question lies, precisely, in the primordial need to defetishize the concept of dependency in the hands of populism, which makes the victim out to be the national bourgeoisie of the peripheral countries. Quite the contrary, that bourgeoisie has extracted surplus value from national *living labour*, the true victim, through an exploitation and superexploitation that demands *national* and *popular* liberation.

13.5 New political conclusions: ‘national’ and ‘popular’ liberation

Earlier I said that the debate on the ‘theory of dependency’ came to a dead end. The theoretical error that was made was in not having dealt carefully with the abstract essence of the concept of dependency and its fundamental law; this led to a denial of its existence or to forgetting its importance. For the present crises – the international external debt and the need for a revolutionary theory articulated to the praxis of liberation in Central America, the Caribbean, and increasingly in other parts of Latin America – there is no theory to explain them (Marxism just as Marx left it is not sufficient). The

contradiction between theory and praxis lies in the following: an international class struggle (capitalist–proletarian) was enunciated as the only possibility, while every attempt at 'national' or 'popular' liberation was branded as populist. The 'question of dependency' would be a bourgeois problem of interest only to peripheral national capitalists; it would not be a Marxist question. Nevertheless, the revolution that will overcome capitalism is not *immediately* a world revolution, nor is it carried out at the level of the factory.

Proletarians liberate themselves from the capitalist class only through *national* revolutions by taking *state power*. Frequently revolutionary vanguard movements have not been only proletarian but also peasant and petty-bourgeois (since Marx or Lenin, through Mao, Agostinho Neto, or Commandante Borge; one must recall that Fidel Castro and Engels were, strictly speaking, bourgeois, one during his youth and the other throughout his life). The concept of *peripheral dominated 'nation'* and of *exploited 'people'* (complex political categories at the concrete level of *reproduction*) as a 'social bloc of the oppressed' subsumes the (more abstract) category of 'class'. All of this could have been theoretically grounded had the *concept* of dependency been developed correctly. The process of national and popular liberation is the only way to destroy the mechanisms of constant and increasing *transference of surplus value* from the less developed total national capital. This assumes overcoming capitalism as such, since the extraction of surplus value (a living capital–labour relation) is articulated to the transfer of surplus value in the competition between total national capitals of different levels of development. The weakness of peripheral capital (due to its structural transfer or surplus value) does not mean we can subsume the entire population as a wage-earning class: The marginal *popular* masses play a leading role in the process of change. The popular movement and popular organization become political priorities.

When one speaks of liberation one thinks in terms of a situation of domination. Dependency represents this situation of domination in the world capitalist system. We think that, in the strict sense, the dependency relationship needs two industrial capitals (one in the centre and the other in the periphery). Nevertheless, we think that there could be different periods in the *history of dependency* (which is not Latin American history as a whole, nor the histories of each nation alone), consisting of five moments in time. At the *essential* level our starting point is man, and we move toward the ape. Now, *historically*, our starting point is the ape (knowing a priori what man is) and we go toward man.

The first moment, which we might call one of monetarist and gradual manufacturing mercantilism (sixteenth and seventeenth centuries) by the centre, is that period during which Latin America lives the *prehistory* of dependency in the conquest, extraction of precious metals (money as treasure, Marx would say, or better yet as world money), and other colonial products. There is an extraction of wealth. In certain *obrajes* (*workshops*), mines, or haciendas there is a wage system, and therefore, strictly speaking, there is a

certain transfer or surplus value. The product (for example, sugar from sugar mills with slave labour) can even be transformed into a commodity in the central capitalist market and realize a profit.²⁹

The second moment preparatory to dependency in the ‘first form’ of industrial capitalism (the British, for example, with monopolistic mediation by Spain) occurs from the time of the Bourbon reforms up until [the appearance of] imperialism in the strict sense (from the mid-eighteenth century to approximately 1880). Through the unequal exchange of raw materials for industrial products and the interest payments on international credits, there is already a sort of structural start to the transfer of surplus value.

A third moment, the first one of dependency in the strict sense, is the ‘second form’ of capitalism, i.e. imperialism (from about 1880 to the 1929 crisis). Previous mechanisms are accentuated. Railroads, for example, are at the same time credit indebtedness (transfer of surplus value through interest payments) and technological mediation in the extraction of wealth (including not only value but also surplus value).

The fourth moment is that of dependency under populist regimes (Hipólito Yrigoyen of Argentina, Getúlio Vargas of Brazil, Lázaro Cárdenas of Mexico, or Juan Domingo Perón of Argentina; the classical age is from 1930 to 1955), when peripheral capitalism enters into ‘competition’ with central capital and surplus value is transferred according to the *fundamental law* that has been enunciated (or through mechanisms that set its *tendency*). Populisms are the attempt at a nationalist capitalist monopoly, and they have a certain chance when central capitalism finds itself in the struggle for international supremacy (from 1914 to 1945). They lose any chance when the new power (the United States) reorganizes peripheral dependency in a new manner.

The fifth moment, from 1954 (with the coup d’état against Jacobo Arbenz in Guatemala) or 1955 (the fall of Juan Perón in Argentina), marks that start of the stage of dependentism as a ‘developmentalist’ policy, properly speaking. The theories of dependency counsel entry into ‘international *competition*’. The penetration of financial and productive capitals properly speaking opens up the stage for transnationals and increasing indebtedness. In 1964 (with the Brazilian ‘national security’ coup) there is a shift from a formally democratic and developmentalist dependentism to a military-type developmental dependentism (under the ideology of a Golbery do Couto e Silva up until Pinochet). That is the state we find ourselves in at present (going through neopopulisms, neodevelopmentalisms, nationalist or *dependentista* dictatorships, and a variety of democratizing *aperturas* or ‘openings’).

Thus, from the standpoint of a *concept of dependency*, we can see that the process of the first emancipation from Spain did not mean going from being a colony of a dependent and monopolistic capital such as the Spanish, to direct dependency upon England (or other powers of the time). Populism (1930–54) attempted to develop national capitalism, impeding international competition with certain protectionist or monopoly measures.

These measures were easily destroyed by the United States and populists fell like a row of dominoes (1954–9).

Only Cuba (since 1959), and currently with the struggles in Nicaragua (since 1979) and El Salvador, have made attempts to get out of the dialectic of capital’s international competition. Nicaragua, in the war of aggression which has been declared against it by US capital, is suffering the sin of not entering the game of competition where it should structurally and increasingly transfer its surplus value, like all the rest of the Latin American countries which are deeply penetrated by transnational capital and by the mechanism of dependency.

What is at stake then is the *Second Emancipation*. *The concept of dependency is the only one that can provide a theoretical framework for a political understanding of the situation of domination in which our Latin American nations find themselves today.* (Let it be said in passing that the same is true for the African and Asian nations.) The concept of ‘class struggle’ is not sufficient to give a fundamental diagnosis. It must not be forgotten that the ‘competitive struggle’ (Marx 1981b: 353) situates the peripheral countries in a very precise manner, and their weak and weakened capitalism tends itself to processes of liberation. It is liberation *from dependency* (as *national* domination, via the national bourgeoisies and the total capital of the country (and liberation of the *oppressed people* in the nation (the social bloc of those who, with their labour, be it wage labour or available labour, create all the transferable value and surplus value)).³⁰

This is why the Frente Sandinista de Liberación Nacional (FSLN) defines itself as a *national* and *popular* liberation movement.³¹ National in that, by overcoming capitalist dependency, the country can accumulate the fruit of the labour of its workers as its own wealth. *Popular* in that not only the classes oppressed by past capitalism, but even all those who were *nothing* for total national capital (the unemployed, the ethnic minorities, the marginal population, etc.), in Nicaragua can organize a new, liberated way of life on the basis of their culture – and of their religion as a part of their popular *culture* (see Dussel 1986) – as an affirmation of the exteriority of concrete, historical *living labour*.

To continue Marx’s theoretical discourse beyond Latin America and not merely to apply it (which is an error because it was ‘open’ and ‘unfinished’), and to discover in it new possibilities *based on the people’s praxis of national liberation*, based on the ‘logic of the majorities’ (but of the majorities as subjects of the history of liberation), is the task of a philosophy of liberation.

The concept of dependency, therefore, from a political perspective (in the correct praxis of national and popular liberation) and from a theoretical perspective (in a philosophy of liberation that methodically thinks about Latin American reality as a process of liberation) is fundamental. At the level of political economy, it is the very starting point for the concept of liberation.

It is the theoretical moment from which and from where the process of liberation on our continent originates.

Appendix 1

Correlation of pages of the different texts (originals and editions)

<i>Notebooks</i>	<i>Subjects</i>	<i>Original Notebooks pages</i>	<i>MEGA II,3</i>	<i>Collected Works</i>
I (Aug 1861)	I Production process of capital	1	1, 5	30, 9
	1 Transformation of money into capital	1	5	9
	a M–C–M. Universal form of capital	1	5	9
	b Difficulties from the nature of value	7	16	20
	γ Exchange with labour	15	29	33
	Value of labour capacity	21	37	42
	Exchange of labour capacity and money	25	44	50
	Labour process	28	48	54
	Valorization process	34	58	66
	Unity of both	49	82	92
II (Sep 1861)	(Continuation)	54	1, 90	30, 101
	Two component parts	55	93	103
	Addenda	71	121	137
III (Oct 1861)	2 Absolute surplus value	95	1, 149	30, 172
	a Surplus value and wages	95	149	172
	b Surplus value and necessary time	99	158	180
	c Advantage of overwork	101	162	185
	d Simultaneous working day	102	163	185

<i>Notebooks</i>	<i>Subjects</i>	<i>Original Notebooks pages</i>	<i>MEGA II,3</i>	<i>Collected Works</i>
	e Character of surplus labour	104	167	190
	Addenda	106	170	193
	Rate of surplus value	124c	207	229
IV (Oct–Mar 1862)	3 Relative surplus value	138	1, 211	30, 229
	a Cooperation	143	229	255
	b Division of labour	138a	237	264
V (Mar 1862)	(Continuation)	175	1, 273	30, 299
	On productive labour	182	280	306
	γ Machinery. Application of natural forces and science	190	292	318
VI (Mar 1862)	5 Theories of surplus value	220	2, 333	30, 348
	a James Steuart	220	333	348
	b Physiocrats	222	337	352
	c Adam Smith	243	363	376
VII (April 1862)	(Continuation on Adam Smith, the reproduction problem)	273	2, 401	30, 412
	Productive and unproductive labour	299	438	31, 7
	John S. Mill and G. Garnier	318	465	35
VIII (April 1862)	(Continuation of J. S. Mill)	332	2, 483	31, 55
	Malthus, Petty, G. Garnier, Ch. Canilh	345	503	77
IX (from April 1862)	(Continuation)	377	2, 549	31, 126
	Exchange of revenue and capital	379	553	131
	Ferrier, et al.	391	574	151
	d Necker, Schmalz	419	620	200
X	<i>Tableau économique</i>	422	2, 624	31, 204
	e Linqet	438	657	241
	f Bray	441	662	245
	g Rodbertus	445	3,673	250

<i>Notebooks</i>	<i>Subjects</i>	<i>Original Notebooks pages</i>	<i>MEGA II, 3</i>	<i>Collected Works</i>
XI (July 1862)	(Continuation)	490	3, 756	31, 334
	Notes on the history of the so-called Ricardian Law of Rent	495	765	344
	1 Ricardo: Price, rate of profit, average and cost prices. etc.	522	813	387
	Theory of rent in Ricardo	560	880	457
XII (July-Aug 1862)	(Continuation)	581	3, 910	31, 490
	Theory of rent in Smith	619	968	551
	Surplus value in Ricardo	636	1001	32, 9
	Theory of profit in Ricardo	666	1049	60
XIII (Aug-Sep 1862)	(Continuation)	670	3, 1056	32, 67
	Theory of accumulation	694	1093	103
	Ricardo's miscellanea	732	1165	174
	2 Malthus	753	4, 1207	209
XIV (Oct 1862)	(Continuation)	771	4, 1241	32, 239
	k Disintegration of the Ricardian School (Torrens, et al)	782	1260	258
	l Opposition to the Economists	851	1370	373
XV (Nov 1862)	(Continuation)	862	4, 1390	32, 394
	Hodgkins	863	1395	397
	Revenue and its sources	891	1450	449
	Luther against avarice	937	1526	531
	<i>(End of so-called 'theories of surplus value')</i>			
	Mercantile capital	944	5, 1545	33, 9
XVI (Dec 1862)	Third Chapter. Capital and profit	973	5, 1598	33, 69
	1 Surplus value and profit	973	1598	69
	2 Profit always expresses surplus value too small	977	1607	76
	3 Ratio is altered numerically	978	1607	76

<i>Notebooks</i>	<i>Subjects</i>	<i>Original Notebooks pages</i>	<i>MEGA II,3</i>	<i>Collected Works</i>
	4 The same surplus value may be expressed in different profit rates, etc.	978	1607	77
	5 Relation of surplus value and profit	978	1608	77
	6 Cost of production	979	1609	78
	7 General law of the fall of profit rate	999	1632	104
XVII (Dec–Jan 1863)	Labour process and valorization process	1022	5, 1675	33, 146
	Mercantile capital. Money-dealing capital	1029	1682	154
	Episode. Reproduction	1038	1701	171
XVIII (Jan 1863)	Interest	1066	5, 1746	33, 222
	Mercantile capital (Continuation)	1075	1761	239
	l Proletarian opposition on basis of Ricardo. Hodgskin	1084	1773	253
	m Ramsay	1086	1776	255
	n Chervuliez	1102	1802	285
	o Richard Jones	1121	1835	320
V and XIX (Jan. 1863)	3 Relative surplus value	211	6, 1895	33, 372
	γ Machinery, Utilisation, etc.	1159	1910	387
	Division of Labour and Mechanical workshop	1159	1913	387
XX (Mar–May 1863)	(Continuation)	1242	6, 2023	33, 489
	Replacement of labour by machinery	1251	2036	34, 8
	Accumulation	1253	2039	11
	h Relative and absolute surplus value	1283	2090	61
	Value of labour capacity and value or price of labour	1288	2098	70

<i>Notebooks</i>	<i>Subjects</i>	<i>Original Notebooks pages</i>	<i>MEGA II,3</i>	<i>Collected Works</i>
	Surplus value, variable capital, surplus labour	1293	2107	78
	Addenda, Hume and J. Massie	1291a	2117	86
XXI (May 1863)	(Continuation)	1300	6, 2122	34, 91
	i Formal and real of labour under capital	1301	2126	93
	j Formal and real subsumption of labour under capital	1301	2126	93
	k Productivity of capital, productive and unproductive labour	1316	2159	121
	Addenda	1331	2184	146
XXII (May 1863)	(Continuation) Petty	1346	6, 2206	34, 170
	4 Reconversion of surplus value into capital. (α) The same (β) The so-called primitive accumulation	1395	2280	243
	Addenda	1397	2288	247
XXIII (June–July 1863)	(Continuation)	1407	6, 2302	34, 261
	2 Primitive accumulation	1461	2372	327
	Interest calculation	1464–72	2379–84	329–36

Appendix 2

Exteriority in Marx's thought

Let us now look at labour capacity itself in its antithesis to the commodity, which confronts it in the form of money, or in its antithesis to objectified labour, to value, which is personified in the money owner or capitalist and in this person has become a will in its own right, being-for-itself, a conscious end in itself. Labour capacity appears on the one hand as *absolute poverty* [...] confronts it as alien commodity and alien money, whereas it is itself merely the possibility of labour, available and confined within the living corporeality of the worker [...] separated from all the objective conditions of its realisation, hence from its own reality, denuded of them, and existing independently over against them.

(MECW. 30: 39–40)

According to Lukács, Kosík, or Bloch, 'totality' is the fundamental category of Marx's thought. It is the 'fundamental' category because it is understood as the realm of being which founds entities within its realm. Thus, the being of capital – 'capital develops into a very mysterious *being*' (MECW. 34: 125), Marx writes – as value that valorizes itself, ontologically founds (and epistemological explains) money, commodities, etc. 'Totality' is the category par excellence of all ontology, for being is the realm of the *totality* of a given world or system, e.g. capital.

Our claim is, against all the tradition of Marxist scholars, that Marx's category par excellence is not 'totality' but 'exteriority'. It is clear, however, that the 'place from which' a thinker thinks is not always explicitly thought by him/her. This 'place' is a presupposition, what is obviously taken as a starting point, the non-conscious source from which everything is thought. Our claim is to indicate that the ontological analysis of capital (to discover its foundation, the identity of being or the essence as the origin of the phenomenal forms of its manifestation), of the 'value that valorizes itself', is only possible from a *critical* position (which we have called metaphysical rather than ontological). The ontological critique of capital is possible from a *practical* 'outside' of capitalism, thus being able to constitute the 'totality' of capital (not the realm of *my* world, because it could not be an object) as a 'subject matter'. 'Exteriority' is the practical condition that allows the 'totality' of the

capital to be submitted to a critique. But, in addition, such ‘exteriority’ is the place of the *reality* of the other, the non-capital, the living labourer in his corporeality not *yet* subsumed by the capital.

This way of expressing myself may seem unnecessarily confusing to some, both non-Marxist and Marxists. I shall try to use Marx’s own ‘words’ (and concepts) in the subsequent discussion of the subject.

1 Exteriority in Marx’s first writings

Although we could quote prior indirect references, we wish only to indicate the fundamental texts, the most important ones. By the end of 1843, maybe the beginning of 1844, certainly in Paris, and at the time of his own rupture, Marx wrote:

Where, then is the *positive* possibility of a German emancipation? [...] In the formation [...] a sphere which has a universal character by its universal suffering [...] in an all-round antithesis to the premises of the German state [...] This dissolution of society as a particular estate is the *proletariat* [...] For it is not the *naturally* arising poor [...] By proclaiming the *dissolution of the hitherto existing world*, the proletariat merely states the *secret of its own existence*, for it is in fact the dissolution of that world order.

(*Contribution to Critique of Hegel’s Philosophy of Law*, MECW. 3: 186–7)

In this text, certain essential aspects of the question we wish to discuss already appear, *intuitively*. On the one hand, we find a certain ‘universal order’, the current, established ‘totality’, and thus ‘prior’ to the forthcoming order after its dissolution. On the other hand, the proletariat, being absolutely dominated by this totality is, at the same time, its absolute opposite. It is the contradiction of a *positivity* ‘beyond’ the realm of the established and dominant world. Its current reality, however, is a state of *poverty*. The mere affirmation of its existence (what appears from outside the essence of the world) asserts the *negation* of its domination. But such negation comes from the affirmed positivity.

2 What is ‘beyond’ being as ‘nothing’

In the same months of 1844, and no doubt after receiving an article on economics sent by Engels from England, Marx started philosophizing about the economy. In the second manuscript of the same year, he writes:

Political economy, therefore, does not recognise the unemployed worker, the working man, insofar as he happens to be outside this labour relationship. The rascal, swindler, beggar, the unemployed, the starving, wretched and criminal working man – these are figures who do not exist

for *political economy* but only for other eyes, those of the doctor, the judge, the grave-digger and bum-bailiff, etc.; such figures are spectres outside its domain.

(MECW. 3: 284)

And adds a few lines later:

The *abstract* existence of man as mere *workman* who may therefore daily fall from his nothingness (*Nichts*) into the absolute nothing (*Nichts*),¹ into the social, and therefore actual, non-existence.

(MECW. 3: 285)

In other words, for Marx, the subject of labour, man, not as wage labour subsumed by capital, but as man, when he has not sold his labour to capital, is a figure, a 'phantom' who *does not exist* for capital. He may live or die: capital is not concerned. He is simply 'nothing'. In this trans-ontological sense (or what is *beyond* the realm of the *totality* of capital), any man as man who does not actually labour for capital, is the 'exteriority' who is 'outside', the 'finished *nothing*'. Of course, when he is incorporated into capital as 'wage labour', he is now transformed into '*absolute* nothing', because he has stopped being an autonomous man and is transformed into a moment of capital, of another one, alienated, sold, negated.

Here we already *explicitly* have, and even with the same words, the subject suggested years earlier in my *Philosophy of Liberation*. 'The other' than 'totality', in the 'exteriority', is *nothing* for the *being* of the system, but is still *real*. The 'reality' of the other resists from beyond the 'being' of totality. The non-wage labourer, real, exterior from the capital as totality, is exteriority.

3 The 'non-capital' as the positive exteriority

Someone could object that such a problematic, and even the terminology, was one of a still very Hegelian Marx, and especially Feuerbachian. Thirteen years later, in Notebook III of the *Grundrisse*, in London in 1857, he still writes:

Labour posited as *not-capital* as such is, (1) *not-objectified labour, conceived negatively*, [...] not-raw material, not-instrument of labour, not-raw-product [...]. This living labour, existing as an *abstraction* from these moments of its actual reality (also, not-value); this complete denudation, purely subjective existence of labour, stripped of all objectivity. Labour as *absolute poverty* [...] only an objectivity coinciding with his immediate bodily existence (*Leiblichkeit*) [...] (2) *Not-objectified labour, not-value, conceived positively* [...] Labour [...] as activity, [...] as the *living source* of value [...] Thus, it is not at all contradictory [...] that labour is *absolute poverty as object*, on one side, and is, on the other side, the *general possibility* of wealth as subject and as activity [...] such as is *presupposed* by capital as

its contradiction and as its contradictory being, and such as, in turn, presupposes capital.

(Marx 1973, pp. 295–96)

This text, which already has a *definite* place in Marx's mature discourse, further develops the moment in which living labour, namely, the labourer, confronts capital face-to-face, *before* the exchange and the unequal contract for the sale of his labour capacity for a wage, the exchange of living labour for labour already objectified in money. *Before* this exchange, we say, the labourer is 'the other' than capital, but as a living residue of a previous mode of production already dissolved, finds himself being just a body (arms, brain, labour capacity) stripped of all objects: absolute poverty. On the other hand, as the 'other' from capital, he is, however, the *creator* of the value of capital, from the nothingness (*ex nihilo*, Marx often says) of capital. In its positivity, the exteriority of living labour (as the other than capital and *not yet* subsumed) is the possible source of its valorization. We have named '*alterity*' the metaphysical and trans-ontological (beyond capital as totality) nature of the labourer, of living labour as man, and not only as productive, or subsumed (internal determination of capital itself) 'wage labour'.

Only from the *affirmation* of the positivity of living labour as not subsumed by capital, as an affirmation of *alterity*, as a self-position of exteriority, is the negation of negation (or liberation of the alienation of subsumed labour or determined by capital) possible.

The 'real *reality*' – Marx says tautologically – of living labour (beyond the *being* of capital as unreal or illusory reality) is the place *from which* 'for other eyes' (as he would write in the *Manuscripts of 1844*), the eyes of *critique*, it is possible 'to constitute' the *totality* of capital, not as a realm from which intra-worldly entities are understood, but as an *entity* or object which can be analysed. The practical articulation of exteriority to the bare *corporeality* of the labourer is the condition for a critical theory.

4 Exteriority of labour as the 'creative' substance: pauper

An objection could be raised that the Marx of the *Grundrisse* still had a pernicious Hegelian influence, since he had re-read Hegel's *Logic* during those months. But, in August 1861, in *Notebook I* of his *Manuscripts of 1861–63*, he discusses now in a definite systematic place of his discourse, the same subject matter, with the same words and same meaning:

The sole antithesis to objectified labour is non-objectified, *living labour*. The one is present in space, the other in time, the one is in the past, the other in the present, the one is already embodied in use value, the other, as human activity-in-process, is currently engaged in the process of self-objectification; the one is value, the other is creator of value (*Werthschaffend*).

(MECW. 30: 35)

Capital is the *given*, past totality, accumulated labour. Living labour is the *creative* actuality (from the *nothingness* of capital) of real value; living corporeality, subjectivity as activity, other than capital, exteriority:

Labour capacity appears on the one hand as *absolute poverty* [...] in the living corporeality of the worker [... that confronts] the objectified labour represented by the owners of money [...] the value personified by the capitalist [...] As such, conceptually speaking, he is a *pauper*, he is the personification and repository of this capacity which exists for itself, in isolation from its objectivity.

(MECW. 30: 39–40)

A detailed comment on these texts would take us very far. For the purpose of this short Appendix, we can only note the organic continuity of the reflections started in the *Grundrisse* and the return to the fundamental discovery of those years: the labourer, *the other* than capital, is ‘poor’ as deprived from the means of realizing himself, but, metaphysically, is the *creative source* of all the value of capital (both the value *already given*, and the future surplus value). *It is produced from ‘the same’*; it is created from nothing: from ‘the other’ than capital, from no-Capital. The fetishism of capital consists of its claim of *creating* value from itself; while, in reality, the production of a surplus value by capital derives from the fact of having subsumed the *exteriority* of the creative source of value: living labour. This labour has to be sold, because being poor (the ‘poor’ is not yet a *class*, and he will be poor again when he is ‘expelled’ from the class as unemployed, due to the tendency of necessary time to diminish), he cannot subsist without a wage.

5 When corporeality has its skin ‘cured’

It could be the case that, like the dubious Descartes, some Althusserian will find in the *Manuscripts of 1861–63* some perverted philosophical Hegelianism (although Marx was already forty-five years old, and I hope he is no longer considered as the ‘young Marx’). I do not think this could be the case for anyone, as far as *Capital* is concerned. In the same logical place in the *Grundrisse* and his works of 1861–63, and making references to the same concept and occasionally even using the same words, he clearly writes:

[...] a commodity whose use-value possesses the peculiar property of being a *source of value*, whose actual consumption is therefore itself an objectification of labour, hence a *creation of value* (*Werthschöpfung*) [...] capacity for labour [...] existing in the corporeality (*Leiblichkeit*),² the living personality (*lebendige Persönlichkeit*) of a human being.

(Marx 1977: 270)

In this Chapter 6, Volume I of *Capital*, Marx poses the issue we have been discussing: the ‘capitalist–labourer’, totality–exteriority, ‘face-to-face’ confrontation. The exteriority of the labourer has not yet been denied, has not yet been subsumed. Nonetheless, it must be sold, and when it is sold, the drama begins:

He who was previously the money-owner now strides out in front as a capitalist; the possessor of labour-power follows as his worker. The one smirks self-importantly and is intent on business; the other is timid and holds back, like someone who has brought his own hide to market and how has nothing else to expect but – a tanning.

(Marx 1977: 280)³

From the moment at which totality (capital; capitalist) subsumes exteriority (living labour, labourer), Marx’s discourse starts, showing all the intrinsic determinations of capital, of the totality. Thus ‘totality’ may seem to be the ultimate category, for it absorbs almost all of his later discourse (one of the three remaining volumes of *Capital*). As we have seen, however, everything starts from the exteriority of living labour and, in any case, Marx continually remarks on the exteriority of the *creative source of value*. The never-forgotten affirmation of such exteriority, of the real *alterity* of the labourer (though in fact subsumed by capital as wage labour), shall constitute the fulcrum of Marx’s criticality. The exteriority of living labour is the point of support outside the system, so demanded by Archimedes, the non-Capital; the reality that goes beyond the being of past objectified value. This is also the fulcrum of the Philosophy of Liberation, although its superficial detractors deny it due to ignorance.⁴

With the sole category of ‘totality’, the oppressed as oppressed within the capital are only an exploited class; but if the category of exteriority is also constituted, the oppressed as person, as man (not wage labour), as non-objectified living labour, may be poor (individually) and people (as community). ‘Class’ is the social condition of the oppressed as subsumed by the capital (in the totality); ‘people’ is the communitarian condition of the oppressed as exteriority.

Notes

Editor's introduction

- 1 The *Manuscripts of 1861–63* were published for the first time in their entirety in German in the *Marx–Engels Gesamtausgabe*, abbreviated as MEGA, in 1876–82. The English translation was published in 1988–94 by International Publishers, as Volumes 30–34 of the fifty-volume *Marx–Engels Collected Works*.
- 2 MECW. 30: 9–346 means: *Marx–Engels Collected Works*, Volume 30, pp. 9–346. This notation is used throughout this book.
- 3 TSV. 1: 97–150 means *Theories of Surplus Value*, Volume 1, pp. 97–150. This notation is used throughout this book.
- 4 Unfortunately, this important outline is misplaced in *Theories of Surplus Value*, which obscures its significance. This outline is placed as an ‘addendum’ at the end of Volume 1, after the discussion of Smith (to which it is not related) and before the encounter with Rodbertus and the year-long development of Marx’s theory of the distribution of surplus value. Therefore, the reader does not realize that this outline is located at the *end* of the *Manuscripts of 1861–63*, not at the beginning, and that it is the main result of all the work on this manuscript.

Author's introduction

- 1 MEGA refers to *Marx–Engels Gesamtausgabe*, an authoritative collection of works by Marx and Engels published in the languages of the originals (mostly in German).
- 2 See Dussel (1985), from which this book is the second part.
- 3 See Dussel (1990). I hope that this book could appear in English in the future.
- 4 This is a unique work on our subject.
- 5 Regarding Marx’s everyday life, see Longuet (1979: 130ff.).
- 6 I will respect the German of the original spelling of the critical editions of Marx.
- 7 In this letter, Marx writes that ‘capital in general [...] is the quintessence (*Quintessenz*)’.
- 8 See section 10.5 below.
- 9 Problems that I discuss in Dussel (1990).
- 10 Two determinations are mingled and confused.
- 11 Cf. Dussel (1985a: 49–51): ‘Abstraction of determinations’, and Dussel (1990: 405–24): ‘The order of categories’.
- 12 The English translation, frequently, is not exact: ‘observation’ is not the same as ‘appearance’; the ‘phenomenon’ is not ‘founded’ manifestation.
- 13 This introduction was published in Spanish in 1988, and was updated for this English edition.

Part I The central Notebooks of ‘Chapter III’

- 1 See Dussel (1985a, Part 3): ‘The Production Process of the Capital’ (Chs 5–12).
- 2 For example, he does not deal with the question of the ideology of egalitarianism, liberty, property (Dussel 1985a, Ch. 5); this subject is included in *Capital* on only in one page; he does not deal with the ‘devalorization’ (ibid., Ch. 10), or with the ‘modes of appropriation’ (our Ch. 12).

1 Money becomes capital: from exteriority to totality

- 1 See Dussel (1985a, Ch. 7).
- 2 The *Urtext* was not included in the English translation of the *Grundrisse*, but is included in MECW. 29: 430–507.
- 3 This clarification shows that Marx has not yet reached complete clarity (and would not until 1871) on the concept of *value as such*, different from *exchange value* (the latter is the ‘expression’ of the former).
- 4 Consult also other texts in MECW. 30: 131–7 and 170–1.
- 5 Compare this text with the *Grundrisse* (Marx 1973: 295–6) which Marx is copying, but modifying. See also a similar passage in the *Urtext* (MECW. 29: 504–06)
- 6 The ‘absolute poverty’ is attributed in the *Grundrisse* to labour; there, labour is not considered as ‘pure possibility’, as now. These passages could be compared word by word and a reflection made about their differences.
- 7 In these pages there are important indications for a Marxist theory of the wages. Marx often refers to the ‘production cost’ of the labourer as labour capacity (in its subjective sense) and not as the ‘production cost’ of the product.
- 8 Regarding technology in Marx, I have edited in Spanish *Cuaderno tecnológico-histórico (London, 1851)* in Dussel 1984b, with a preliminary study of the subject.
- 9 Here ‘*gesellschaftliche Weise*’ means: the mode of production of abstract, isolated labour of the labourer in capitalism (outside any ‘community’).
- 10 ‘Production process’ or ‘productive process’ must not be confused with ‘working process’ or ‘labour process’. The former is capitalist properly speaking, while the latter may be effectuated in any type of social form.
- 11 This is a new category and a new name for the labour subsumed in capital as paid only in the price of its labour capacity by money-capital. The following categories must be clearly distinguished: living labour, labour capacity, wage labour, productive labour, objectified labour. They are frequently confused in the Marxist tradition.
- 12 Regarding this very important category, but not omni-comprehensive as in Althusserianism, see more in section 11.1.
- 13 Note that if living labour is not-capital, for Marx this means that it is precisely the real exteriority beyond capital: internal transcendentality. See Dussel 1985a, sections 2.4.2.4 and 2.4.8.

2 Absolute surplus value

- 1 See Dussel (1985a, Ch. 8).
- 2 Published for the first time in English in the Vintage edition of Volume 1 of *Capital* (Marx 1977).
- 3 It would seem that Marx is explicitly aware of this on p. 165, where he uses five times the expression ‘*das variable Capital*’. In this text he does have the name definitely clear, because he had already discovered the concept; but only until at this point we can affirm that he has concluded constructing the category. This section regarding ‘surplus value’ (pp. 164ff.) is very important. Marx wrote this section after finishing Notebook I.
- 4 Marx also uses in these *Manuscripts* the expression ‘socially (*gesellschaftlich*)’ necessary labour time (p. 197), but it means the average time required to manufacture a product (objectively), and not to reproduce labour capacity (subjectively).

- 5 Marx speaks also about 'surplus labour time' (*Mehrarbeitszeit*) (p. 185).
- 6 Here Marx plays with the expression 'over (*über*): *Überarbeit* (overlabour); *Überbau*: over-construction, superstructure. These terms are not categories properly speaking, but metaphors.
- 7 *Gewissen* (ethical consciousness) in German and not *Bewusstsein* (cognitive consciousness).

3 Relative surplus value

- 1 See Dussel 1985a, Sections 8.2–8.4.
- 2 *Produktivkraft* could be translated as 'productive power of force', especially if one keeps in mind that Marx himself departs from Smith's 'productive power' in English (p. 254). Thus, '*Produktivkraft der Arbeit* (productive power of labour)' is also '*Kraftpotenz* (force power)' (p. 258). It must be noted at same time that there is a tendency to identify 'living labour', 'labour capacity' 'labour power' and 'productive power'. This confusion has severe consequences. In fact, 'productive power', in the strict sense, means 'productive power' that creates surplus value, that is to say, living labour subsumed into and by capital. 'Living labour' prior to capitalism (e.g. in feudalism) or after capitalism (e.g. in real socialism) cannot be called in the strict sense 'productive power', but potential labour or subjective 'potency': labour actually of the worker. In real socialism, there is a 'potency' or 'force' which produces 'social value' (not another's private surplus value due to the inversion of the law of appropriation). But when we say 'social value', we wish to (negatively) express that it is not yet immediately a 'common value'; but it is not non-value; it is still value, although not private surplus value. With the term 'productive potency' we de-mythologize, in a certain way, a false conception of '*Produktivkraft*' in some expressions of later naive Marxism.
- 3 See this type of comparisons in Ch. 16 of Volume I of *Capital*.
- 4 Cf. Dussel (1985a, Ch. 10). The concept of 'dependency' is also founded here. In these *Manuscripts* Marx starts to approach the subject from pp. 247ff.
- 5 This condition is isolated, singular, without community (see Dussel 1985a, Sections 12.3.d, 7.1.b–c and 4.2).
- 6 Marx says '*Werth der Waare* (commodity value)', that cannot be identified either with the value of the product or with the price of commodity. In all these 'new' categories the concept of 'average' (*Durchschnitt*) strikes our attention. From here, 'average profit' and many other 'equalizing' effects of competition will emerge.
- 7 He writes: '*gesellschaftliche nothwendige*'. As we have already indicated, for Marx 'necessary labour time' goes subjectively to the reproduction of labour capacity. On the other hand, the expression 'socially necessary labour time' is used rather to indicate objectively the production of the value of a product or commodity: the 'average' time or 'average' value or 'socially' required value to produce a product (p. 330).
- 8 Marx uses this category 'subjectively': it is not a matter of production costs of the product (objectively), but of the production cost of labour capacity (of the 'capacity' of working of a subject who produces).

Part II Critical confrontation of the system of categories as a whole

- 1 We believe that the interruption might have been earlier, because Notebook V shows before p. 211 (perhaps from p. 190 of the manuscript), a greater degree of maturity, due to the categories used, than what Marx might have had in 1862.
- 2 The 'Theories' correspond to Volumes 2–4 of MEGA II, 3.

- 3 In the original plan, item '4' included accumulation (MECW. 29: 513–14). Notebook V (MECW. 30: 311), however, reads: 'After relative surplus value, absolute and relative surplus value are to be considered in combination', so this would be item '4'.
- 4 This 'Chapter III' is not the 'chapter III' from the beginning of Notebook I (MECW. 30: 4–5), which followed Chapter I (Commodity) and II (Money) from the *Contribution of 1859*. Now Marx starts thinking in terms of three chapters on the subject of capital itself. In January 1863, as we will see, this 'chapter III' will be transformed into 'section III' (*dritte Abschnitt*) (MECW. 33: 346) which will later correspond to book III of *Capital* (see Section 10.5).
- 5 In a letter written to Engels, dated 31 July 1865 (MECW. 42: 173), Marx speaks of the need to make a 'history', but in a letter written to Meyer, dated 30 April 1867 (MECW. 42: 367) he refers to book IV of *Capital*. This led to the mistake of thinking that these notebooks of the *Manuscripts of 1861–63* on theories of surplus value were such a history.
- 6 We understand 'moral' as the practical and theoretical system of the prevailing, established, dominant system (capitalism); we define 'ethics' as the critical realm from the exteriority of the prevailing system (living labour, according to Marx, is the starting point of ethical critique to the constituted 'bourgeois morality').
- 7 Cf. Dussel (1985a, Section 7.5), where the plan of 2 April 1858 is considered on p. 158; in this plan, item 'B' ('Competition') deals with the matter concretely. See drawing 38 on p. 418, regarding 'Competition'. In contrast, the first page of Book III of *Capital*, states that 'capitals confront one another in certain concrete forms' (Marx 1981b, p. 117). This is about competition in general.
- 8 Cf. until now without differentiation.
- 9 See this matter in sections 5.3 and 6.4. It was necessary to identify in the value of the product the corresponding part of the constant capital, in order to differentiate it from surplus value.

5 Adam Smith's perplexities

- 1 'Labour capacity' (*Arbeitsvermögen*) is a central category in *Grundrisse*.
- 2 While 'social' (negative sense), labour (without any community) is isolated and forced to be sold inequitably.
- 3 This name of the category 'average price' (*Durchschnittspreis*) (p. 400) is still ambiguous in its meaning.
- 4 Certain 'epistemological attention' is required in order to notice in each case the name of the categories: 'cost price' has in these *Manuscripts of 1861–63* four different meanings: (1) as 'production cost' (C + V); (2) as the aggregate value of the product (C + V + surplus value); (3) as 'price of production' (C + V + average profit); and even (4) in the ordinary meaning, what is required in order to reproduce labour (subjectively: the reproduction cost of the labour capacity).
- 5 In the *Grundrisse* Marx discovered constant capital; here, in 1862, he is headed towards the discovery of the question of *reproduction* in a more profound manner. Cf. Rosdolsky 1977, Ch. 30. We shall return to this subject in Section 6.4.
- 6 Marx 1973: 373.

6 Productive labour

- 1 It is worth mentioning, then, that it is not because it produces an excess that labour is productive. In a simple exchange a new value can be formed, but the importance lays in the type of *social relation*. Real productive labour is *formally* defined from the social relationship labour-capital; consequently, a tailor can

- create new value, but when work is formally exchanged for income, this work is not productive labour.
- 2 I wish to emphasize that in these pages Marx uses the expression ‘activity’ (*Thätigkeit*) of the labour capacity’ (p. 21), which would indicate precisely the ‘potency’ or the ‘labour power (*Arbeitskraft*)’: actuality of capacity (= power), subsumed and used actually by capital. ‘Labour power’ (as ‘work process’) and ‘potency’ or ‘productive power’ (as ‘productive process’) are not the same. The ‘productive power’ is the *formal* moment; ‘labour power’, the *material* moment; ‘labour capacity’, the possibility or potentiality, not actual.
 - 3 The question of the ‘production cost’ will be approached in several different passages of the *Manuscripts*. Marx denominates ‘real (*wirklich*) production cost’ (MECW. 30: 163) as ‘the sum of the working time contained’ in the product (C + V + surplus value); and mere ‘production cost’ as the total amount given by the capitalist (C + V).
 - 4 During my enquiry at the British Museum, I saw a *Traité d’économie politique* (Paris, 1823, placed at BM 8207.a.29) which is a translation of the English original published in Georgetown in 1817; from the *Éléments* (in the original without a ‘t’: *Éléments d’idéologie* there is an edition of *Projet d’éléments d’idéologie*, Paris, 1818. Destutt writes here: ‘Some may get astonished of seeing me deal at the same time with economy and ethics. When one penetrates into its *fundamental basis* I do not think it possible neither to separate these two orders of things nor to separate the study of them in their principles [...], they are in fact closely united’ (p. 164). Today we must return to those original intuitions, at the time when economy had just been separated from ethics!
 - 5 The English translation suggests ‘intellectual’ production, but it is not the same.
 - 6 The first ‘diagram’ with A, B, C, D and E (Marx 1973: 345), after the very ‘squeamish calculus’.
 - 7 The fundamental texts are in Marx (1973: 571–608: 616–26: and 673–785).
 - 8 MECW. 34: 238–40. See the end of the chapter.
 - 9 See Dussel (1990, Chs 3 and 6).
 - 10 Look at Figure 1.1 of Chapter 1. The relation *a* is M1–C1–C2–M2. It is as if F’s 2,000 million would have been a gift (rent) as a ‘source of payment’ (M2), so F sells to P the C2 (1,000 million) for the same money, and in M2 the tenant (S1) recovers his money (= V2) (of Figure 1.1).
 - 11 On the contrary, the landlord (P) only establishes the syllogism C–M–C; of course it commences in this case directly with M (= M2 of Figure 1.1), with rent and not with the sale of his commodities (C1). In any case, M2 (‘mean of purchase’) is spent on consumption (of C2 by means of S3 in this diagram).
 - 12 Returning to Figure 1.1: the capitalist is S1 and the labourer S2; the relation *b* (of Figure 1.1) is the following: with M1 the capitalist buys the ‘labour’ (C1 of Figure 1.1): is the syllogism M–C–M’ (M = M1; C = C1 and C2; M’ = M2).
 - 13 See Dussel (1985a, Section 14.2), for a discussion of the schema in the *Grundrisse*. Now the syllogism is C–M–C (in Figure 1.1, it would be: S2 (the labourers’ living labour): C1–M1–M2–C2, where the relationship C1–M2 is the sale of the labour and M2 the wages; M2–C2 is the purchase of the means of subsistence and C2 the means of subsistence). The M2 ‘flows back’ to the capitalist as V2 (value that increases: V1 < V2).
 - 14 We will not comment on Linguet and Bray because they are not important for our purposes.

7 The theory of rent

- 1 This issue is crucial for ‘dependency theory’.

- 2 Marx writes: 'Absolute rent by no means infringes the law of value' (MECW. 31: 389). It is worth noting that Notebook X, according to the original plan, should have started with an item '(g) Ricardo'. In a letter of 2 June 1862, LaSalle asked Marx to return his book of Johann Karl Rodbertus. Marx responded to him in a letter of 14 June (MECW. 41: 377–8) that he would immediately study Rodbertus in order to return the book. Then he deleted the previous point and wrote: '(g) Rodbertus'.
- 3 See Hegel (1971, Vol. 6: 202–17) for the concept of 'possibility (*Möglichkeit*)'. The 'possibility' is the negative 'essence' of the 'positiveness of the real thing'.
- 4 See Dussel 1985a: 158 (remember the letter to Engels of 2 June 1858) and p. 418. Rosdolsky (1977: 41–50) is mistaken when he thinks that Volume III of *Capital* is situated on the level of many capitals. The 'anticipation' of certain matters (such as wages, credit capital, rent, etc) was not at this level, but is rather a more 'abstract' level, which is necessary to clarify the concept of capital *as such*. The same type of 'competition' would be treated in Volume III of *Capital* – always in general, abstract essence. Marx continuously repeats that the question of 'competition cannot be analysed here because it would be studied in the second part of his plan'. About this question refer ahead to sections 11.2 and 11.3.
- 5 Cf. Dussel (1985a, section 3.4: 79ff.).
- 6 See Dussel (1985a, sections 10.1–10.2: 192ff and 14.2: 282ff.).
- 7 This question has unexpected consequences for a 'theory of dependency', of the undeveloped and peripheral national global capitals. In the last instance, global capital is worldwide; the world average rate of profit is always less than the rate of profit of the periphery. Competition (when not simply the pure monopoly founded in the last instance on the military power of the central states) performs a transfer (*Übertragung*) of surplus value; but, as we have said, frequently as 'monopoly prices' (in favour of the centre: above its value when selling; under when buying). See Section 13.3.
- 8 Consider the doubt when using the expression 'appears'. About the lower agricultural organic composition of capital, see MECW. 31: 464.
- 9 Here 'production cost' is already 'the sum of the capital disbursed' (cf. Figure 7.1: $C_v(2) + C_c(2) = 4$). Marx talks here of 'price of production cost' (MECW. 31: 274), or simply of 'cost price', but not yet of 'price of production'. It's all about the *construction process* with these categories.
- 10 Cf. Dussel (1985a, Ch. 7); and also in this same work Sections 3.2–3.3, in relation to the *Grundrisse*.
- 11 The private landlord is not 'a necessary agent' within capitalist production (p. 379). It is something that appears 'as derivative' (p. 380).
- 12 Here Marx uses the word 'superstructure' (p. 327) in the originally Marxist sense, that which 'is over', without pretending to build a category.
- 13 In *Capital* Marx spells '*Produktionspreis*' with a 'k', not with a 'c'. Such differences enable us to reach to certain chronological conclusions regarding Marx's writings.
- 14 In MECW. 31: 560 Marx says: 'price of production or cost price' (he still confuses the two). In contrast, in MECW. 33: 299, he comes to a new formulation: 'Transformation of value into price of production'.
- 15 '[...] average prices or, as we shall call them, *cost prices* which are different from the *values* themselves and are not directly determined by the values of the commodities but the capital advanced for their production + the average profit [...] These average *cost prices* (*Kostenpreise*) are different from the *values* of commodities' (MECW. 31: 402). Marx has already used the term in MECW. 30: 401 but without the precise concept. In MECW. 31: 442 Marx still treats 'production cost' and 'cost price' as synonyms.
- 16 e.g. in MECW. 30: 400 and also a few pages after (MECW. 31: 253).

- 17 Consider in Figure 7.1 the equivocal use of ‘average prices’ on two levels. The concept ‘average price’ includes several future categories: is it average cost price, average price of production or average market price?
- 18 Regarding this issue, see in these *Manuscripts* some references in MECW. 31: 361 and MECW. 32: 484–86, etc.
- 19 These mistakes regarding rent are described on pp. 387ff.
- 20 We see here the Eurocentric position of Marx: did not the American Indians, the African or Asiatics, have any type of land ownership?
- 21 ‘Here therefore the universal validity of the law of value becomes apparent’ (ibid.). See Dussel (1990, Section 10.3.d: 424-9 (‘The law of value’)).
- 22 See Hegel 1971, Vol. 5: 142 for the concept of the ‘limit’ (*Grenze*).
- 23 That is: market price is equal to constant capital, plus wage (w), plus average profit (AP), plus rent. The sum of all these has more value than the cost price.
- 24 Although Rosa Luxemburg is correct in many respects, she also makes mistakes, as has been shown in many works.
- 25 See Rosdolsky (1977, Chapter 30).
- 26 For the Caribbean question, there are interesting notes about the slave plantations in capitalism (pp. 516ff.).

8 Surplus value, profit, accumulation and crisis in Ricardo

- 1 Cf. Dussel (1985a, Section 13.1: 302ff.).
- 2 Marx writes: ‘[...] *Zwischenglieder vermittelt* [...]’ (MECW. 32: 61).
- 3 According to Hegel, the ‘law (*Gesetz*)’ concept has a particular ontological meaning: ‘the law of the phenomenon’; ‘the law is the reflection of the phenomenon in the Identity with itself. [...] The realm of the law is the fixed image of the phenomenal world’ (1971, Vol. 6: 153).
- 4 It would be necessary to carry out a detailed epistemological analysis of the way (scientific in what sense?) in which he reaches his conclusions or refutes his adversaries. The entire section (pp. 74–100) is very interesting in this respect. What does it mean, for example, that the merit of de Quincey is having a ‘*scientific (wissenschaftlich)*’ formulation of the problem’ (p. 92)? See Ch. 12 *infra*.
- 5 He had treated the issue of reproduction in Smith in our Section 5.3. About accumulation, see Dussel (1985a, Section 11.4: 22ff.).
- 6 Cf. Figure 5.2. The exchange between the ‘spinning mill’ and the ‘machinery factory’ is made by money, but is realized only in the final ‘consumable’ product.
- 7 Cf. Dussel (1985a, Ch. 10: 191–211, and especially Section 9.4: 188–90).
- 8 In Hegel’s *Logic* (II, 3, 2, A: ‘Accidentality or reality, possibility and formal necessity’; etc.) or in the *Encyclopedia*, sections 143–5, one can consider ‘possibility’ as a moment of the essence (*dynámei*: ‘in potence’ as Marx likes to write it in Greek).
- 9 The ‘development’ of the concept of *crisis* begins as a mere possibility, abstraction, in general, in the *essence* of capital, and ‘develops’ later until it reaches its ‘reality’ of an existent *thing* as a ‘phenomenon’. And, even more developed than in the mere use–value exchange–value relation or in the commodity–money relation, the crisis emerges in the relationship of the ‘more developed national global capital’ in competition (potential or actual crisis) with the ‘national global capital less developed’: the question of dependency. Marx writes ‘[...] less developed countries (*minder entwickelte Länder*)’ (p.170).
- 10 ‘[...] *zufällig* [...] *Zufall* (contingency)’ (p. 143): ‘matter of chance’. The ‘possibility’ and the ‘contingency’ are two moments in the Essence looking for its real existence, yet as merely possible (for Hegel, *Encyclopedia*, Section 145: ‘the formal determination is different from the content (*Inhalt*) and the fact for one

- thing to be *contingent* and *possible* depends by consequence of the content'. But it is necessary to consider that for Marx the crisis in general, as possibility, is yet 'without content').
- 11 Cf. Hegel (*Encyclopedia*, Section 146): '[...] be others possibility: *condition (Bedingung)*'. Marx writes: 'This is the real form of money crises [...] In investigating why the general *possibility* of crisis becomes a *reality (Wirklichkeit)*, in investigating the *conditions (Bedingungen)* of crisis [...] ' (p. 145).
 - 12 The 'Doctrine of Essence' (especially in *Encyclopedia*, sections 112–149) explains the 'passage' of Identity, Fundament, into Difference, Phenomenon, existent Thing (for Marx 'the commodity').
 - 13 Marx writes: '[...] the general possibilities of crisis, and hence also forms, abstract forms of real (*wirklich*) crisis. In them, the existence (*Dasein*) of crisis appears (*erscheint*) in its simplest forms, and, in so far as this form is itself the simplest content of crisis, in its simplest content (*Inhalt*). But the content is not yet *founded (begründet)*' (p. 142). The Essence of capital is the 'possibility' of its realization as *being* thing (as commodity, money, etc.); this being is founded in the Fundament: capital as valorization of value, but also, essentially, as contradictory devalorization. This is the 'possibility' of crisis as Essence and Fundament of capital: the 'principle of reason (*Satz der Grund*)' of crisis (it is not difficult to go from here to Heidegger's ontology).
 - 14 Hegel (and Marx) uses '*Realität*' as a possible moment of essence and being – (*Dasein*); '*Wirklichkeit*' ('reality' in German) as the real existence of mundane phenomena becoming or 'existing' (*Ding*). '*Realität*' or 'realization' is reserved by Marx for the passage of the commodity to money, in general; while in the concrete, or competition, he uses the German root *Verwirklichung* ('realization in the concrete').
 - 15 Marx indicates an essential fact that is the limit or barrier of capitalism at the end of the twentieth century. The market is not constituted only by 'needs (*Bedürfnisse*)', but rather by 'needs with money': solvent, with 'buying capacity'. A starved worker (p.186): '[...] if the hundred thousand [workers] were starving to death [...] ' or a ragged worker ('and the weavers didn't have a rag to put on') are not a 'market' if they have no money. The Third World today is a pure need, every day less solvent for capital: floating Nothingness in absolute inexistence (*pauper* as excluded).
 - 16 For a discussion of this question in the *Grundrisse*, see Dussel (1985a, Section 10.1: 192ff. and 6.4: 131ff. (capital 'as process')).
 - 17 Cf. Dussel (1985a, Section 2.2: 53–54).

9 The fetishism of vulgar and apologetic economics

- 1 Further on, in Notebook XVIII, pages 1,084–1,156 of manuscripts (MECW. 33: 253–371), Marx studies all indicated authors. We will discuss them in section 10.4.
- 2 We have seen in MECW. 31: 344ff. some diatribes against Malthus that are even excessive. For Marx, Malthus is an 'apologist' (cf. sec. 7.3). For Keynes, in contrast, Malthus is a genius superior to Ricardo.
- 3 When Marx speaks here of 'cost price', sometimes he means the costs ($C_v + C_c$) and at other times 'costs + average profit' ('the advances plus profit'; p. 244). For Malthus: 'wage labour + profit = sum of money as the amount of common labour which can be bought with it' (MECW. 32: 225). The 'surplus labour' would be given by the buyer.
- 4 Let us not forget that we have already analysed John Stuart Mill in section 6.2.

- 5 See in Hegel the question of 'Absolut' (cf. *Das Absolut*: *Logic*, II, 3, 1; *Werke*, vol., 6, pp. 186ff.). The matter of 'Absolut' is the initial chapter of the question of 'Reality (*Wirklichkeit*): 'Reality is the unity of essence and existence' (ibid., p. 186) and is essential in order to understand the question of fetishism in Marx. The question of 'substance' (within this chapter about 'Reality') is placed at the level of the causality: 'The substance [...] is the cause (*Ursache*)' (ibid., II, 3, 3, B; vol. 6, p. 222). The 'substantiality' is placed essentially in the 'absolute relationship' (ibid., A; pp. 219ff). For Marx, justly, to forget the real 'relationship' between value and its substance (labour), and its addressee (its 'saleability'), and even the original relationship of labour-capital (cf. section 1.2–1.3), is to give 'autonomy' to the 'relative': 'To say that *value* is not an absolute, is not conceived as an entity ... ' (p. 317).
- 6 Samuel Bailey, who has already been mentioned.
- 7 Cf. Dussel (1985a), about the labour's 'social' statute (sections 4.2 and 17.4, as opposed to 'the *community of labour*').
- 8 See Dussel (1993, Chs. 1–5).
- 9 Cf. Dussel (1985a, section 6.2: 124–128, and Ch. 16: 321ff.) and Dussel (1993, Ch. 3.1).
- 10 For Hegel; the 'degree' or magnitude (*Grösse*) is the identity of the quality and quantity. Quality, quantity and magnitude are the three determinations of 'being'; that is, of the 'entity' (*Dasein*)' (cf. *Logic* I, 1–3: '*Qualität* [...] *Quantität* [...] *Grösse*'). However, the 'measure (*Mass*)' constitutes the synthesis: use value (quality), exchange value (quantity), money (measure).
- 11 Technical Hegelian expression: '*setzen*': to put there, which is so frequent in the writings of the great dialectical philosopher. 'To posit' is the act that starts from the absolute, from 'Being', from the essence. The 'posited' is the 'being', the 'thing'; the subsequent act is the return, the reflection, the '*Aufhebung*' (subsumption)'.
 12 This paradoxical support for the workers by these authors is expressed by Marx as follows: 'Since the same real development [...] which provided bourgeois political economy with this striking theoretical expression, unfolded the real contradictions contained in it, especially the contradiction between the growing wealth of the English nation and the growing misery of the workers [...] it was natural for those thinkers who rallied to the side of the proletariat to seize on this contradiction for which they found the theoretical ground already prepared. Labour is the sole source [...] of exchange value and the only active creator [...] of use value [...] you say that capital is everything [...] and the worker is nothing or a mere production cost of capital. You have refuted yourselves. Capital is nothing but defrauding of the worker' (p. 394).
- 13 Hegel said that 'the Concept is everything' (*Logic*, II, 3; *Werke*, vol. 6: 551: '*Der Begriff [ist] alles*'). Marx, on the other hand, is aware of the contradiction: '*Die Arbeit ist alles*'. In fact, as we will see in chapter 12, 'science' is the 'development of the concept of labour'.
 14 pp. 377ff. are interesting for the question of dependency.
 15 Cf. *supra*, sections 5.3, 6.4, 8.3, etc.
 16 See Dussel (1983: 307–327, and afterwards sec. 12.5).
 17 Cf. *supra*, section 1.2.a.
- 18 In the *Theories of Surplus Value*, the matter had been point '4' or '5'. The first three parts of this 'Chapter III' (of 'capital in general') were: (1) Transformation of money into capital; (2) Absolute surplus value; (3) Relative surplus value.
- 19 The translation: 'how the various forms come into being' is not expressive enough.
- 20 Cf. Dussel (1985a, sec. 2.3: 54–60).
- 21 Cf. sections 12.1–12.4 about 'science'.

- 22 Cf. section 12.2. Remember what is written in the *Grundrisse*: '[...] to be developed (*entwickeln*) [...] the concept of capital (*der Begriff des Kapitals*)' (p. 319).
- 23 "Land rent", "capital interest" are irrational expressions' (p. 519). We wish to indicate that on pp. 512–13, Marx distinguishes between: 1) 'cost price' as advances; 2) 'price of production' as average profit plus advances; 3) 'value' as the 'real quantity of the objectified or materialized labour'. Production cost has a similar definition as 'price of production'. 'Price of production' allows the 'distribution of capital amongst the various spheres' to be understood. A step forward is made definitively in Notebook XVIII (MECW. 33: 299).

Part III New discoveries

- 1 I wrote this text in 1986. [Editor's note: These texts have since been translated in volumes 33 and 34 of MECW.]

10 Towards 'Chapter II' and 'Chapter III'

- 1 See Dussel (1985a, Sections 15.3–15.4: 312ff.). In the *Grundrisse*, p. 789ff., and also p. 840ff.
- 2 [Editor's note: at the beginning of MCEW. 33.]
- 3 In *Capital I*, Chs 1 and 3; and *Capital III*, Chs 16 to 36.
- 4 See other discussions of this 'passage' on subsumption on pp. 15–16; 42ff.
- 5 Cf. Dussel (1985a, Section 14.1: 278, diagram 26). The 'formal determinations' (level d.2) is already mentioned in the *Grundrisse*, but in another sense. Here 'Form' indicates the 'essential'. The 'process' of money (M–C) or of circulation (C–M) are 'phases (*Phasen*)' (e.g. p. 58), 'arenas (*Stadien*)' or 'functions' (p. 64), 'spheres' (p. 64) of productive or industrial capital (an uncertain terminology still).
- 6 Now the 'chapter III' has three chapters; this is a new development of the 'plan' of the concept of capital.
- 7 On many occasions, it is expressed the same way in the *Grundrisse* (319; 620; 745). Cf. Dussel (1985a, Section 15.1: 301ff.). The problem of the 'mercantile capital' was studied briefly and giving it little importance, in the *Grundrisse* (cf. *ibid.*, section 15.4: 314ff.).
- 8 'Reality is the *unity* of essence and existence' (Hegel, 1971, Vol. 6: 186). 'Reality is the immediate *unity* resulting from essence and existence, or from the interior and exterior. The exteriorization (alienation) of reality is the reality itself' (*Encyclopedia*, Section 142).
- 9 For example, for 'dependency theory': the bourgeois of the periphery can sell in such a way that they lose surplus value, but they still earn some profit.
- 10 This 'chapter on competition' is a complete 'treatise' after the 'chapter of capital'. Marx never wrote this 'treatise'.
- 11 The German publishers of *MEGA* do not mention the 'terminological evolution', and as a result tend to fetishize the vocabulary of *Capital* and do not consider its genesis' they thus unhistorize Marx. They do not speak of 'living labour' or 'labour capacity', and they analyse almost exclusively the 'production cost', 'cost price' and 'price of production', and refer from the beginning to the 'price of production'.
- 12 It is interesting that now, for the first time, one talks about 'chapter (*Capital*) two of the Third Part (*Theils*)', while further on (cf. section 10.5; p. 346) he will talk about the 'third section (*Abschnitt*): Capital and profit. We will deal later with this matter.' Anyway, Marx had in front of him the plan that he later copied in his

- Notebook XVIII*, pp. 1, 139–40 of *Manuscripts* (pp. 346–7), because he speaks about the content of ‘chapter I’ (p. 299).
- 13 See Dussel (1985a, sections 2.4: 60ff; 7.5: 156ff; and 16.4: 333ff.).
 - 14 They always refer to ‘price of production’, and do not ask why, during seventeen Notebooks, Marx keeps using the term ‘cost price’. They lack an epistemological consciousness of an ‘archaeology’ of categories (cf. Section 12.4, about the epistemological status of the ‘theories of surplus value’).
 - 15 There are many indications that the ‘unpublished Chapter VI’ refers to the subject matter studied in point ‘5’ of the plan of January 1863. For example, when in *the Unpublished Chapter VI* Marx speaks about real subsumption, he quotes A. Young, of Notebook XXI on the same subject (MECW. 34: 106). On the same question, the *Unpublished Chapter VI* quotes a text of John Wade (identical to the one on MECW. 34: 127). In other words, the so-called *Unpublished Chapter VI* used the material of Notebooks XXI–XXII. Did the order change in 1863–5? Why would the *Unpublished Chapter VI* be point ‘7’?
 - 16 Cf. Dussel (1990, Chs 1–4: 33–131); Müller (1978: 98ff); letter to Engels on 15 August 1863 (MECW. 42: 488–90); letter to Engels of 27 June 1867 (MECW. 42: 391–5); and the letter of 30 April 1868 (MECW. 43: 20–5).
 - 17 The plan of January says ‘*Lohnarbeit*’ (MECW. 33: 347), while in MECW. 34: 64, Marx writes: ‘*Arbeitslohn*’. See part of the debate in Rosdolsky (1977: 53–62). Müller (1978: 131ff.) argues that Marx placed the subject of wages in Volume I of *Capital* because he modified the level of abstraction of the volume: from ‘capital in general’ to a more concrete ‘concept of capital’.
 - 18 See Dussel (1990, Chs 3 and 6).
 - 19 Also in this plan of ‘chapter II’, which would be the future ‘section II’ of Part III (Volume III) of *Capital*. In the first point, Marx emphasizes the ‘organic composition of capital’, which will be the subject of Chapter 8 in Engels’ edition of Volume III of *Capital*.
 - 20 About the question of including rent in Book III of *Capital*, refer to the letter to Engels of 2 August 1862 (MECW. 41: 394): ‘I now propose after all to include in this volume an extra chapter on the theory of rent, i.e. by way of “*illustration*” of an earlier thesis of mine.’

11 New clarifications for ‘Chapter I’

- 1 ‘Flesh and blood’ is a Hebrew expression for the ‘the whole human being’.
- 2 See my Spanish translation, Dussel (1984: 241–42 and 18–27). This translation includes an ‘introductory study’ that I have written about the subject of technology in Marx, pp. 1–78). See there a ‘general theory of technology of Marx’; pp. 29–78).
- 3 Cf. Dussel (1985a, Section 14.3: 286ff, and Section 15.2: 308ff.).
- 4 Cf. Dussel (1985a, Sections 1.3–1.4: 34–47 and 14.3: 286ff.). In the former, regarding fixed capital; in the latter, regarding relative surplus value.
- 5 For a further discussion of Althusser, see Dussel (1990, Section 8.5: 312ff.).
- 6 See my Introduction in the Spanish translation of Marx’s *Technological–historical Notebook* of 1851 in Marx 1984: 53–54.
- 7 Marx uses ‘*die materielle Basis*’ only in the case of the productive technology question: as an aspect of Marxist materialism, the ‘essence of machinery’ (MECW. 33: 425), the ‘technological truth’.
- 8 In this text, Marx speaks about a ‘surplus subject’ which is incorrectly translated into English as ‘surplus object’ (MECW. 34: 29).
- 9 I published this work in Spanish (Dussel 1984b), and we were able to compare the texts, e.g. the issue of the ‘weaving machine’ (MECW. 32: 393), ‘mills’, etc., and it

- can be discovered that Marx is quoting now from his *Historical–Technological Notebook* (1845).
- 10 Cf. *supra* sections 3.2 and 3.4. At that point, treatment was more *formal* (from the perspective of value) and *social* (from the labourer’s standpoint); at this point it is more *material*, technological.
 - 11 Cf. Dussel (1985a, Section 4.2: 87ff.; 14.4: 291ff., and 17.4). The problem of ‘utopia’ follows from that of ‘technology’. See MECW. 33: 442: ‘Once the revolution in the productive forces has been achieved, which is displayed in technological terms – a revolution also starts in the relations of production’.
 - 12 Cf. MECW. 33: 481–9, regarding the ‘automatic workshop’; regarding the ‘technological relation’, see MECW. 34: 204.
 - 13 Notice that there is a difference: in the first historical exchange there is ‘money’ and there is not yet ‘capital’. When capital is presupposed, then there is an exchange between ‘capital’ and labour.
 - 14 This text is identical to the one of *Unpublished Chapter VI* (MECW. 34: 439), but inverts the order of the text of A. Young regarding agriculture. He is then using this Notebook as reference.
 - 15 This question was discussed in our Section 10.3.
 - 16 See what has already been noted regarding this matter in the *Grundrisse* (cf. Dussel 1985a, Section 11.4: 222ff. and 6.1: 118ff.). Marx had previously discussed the issue on p. 243ff.
 - 17 The ‘passage of money into capital’ (Ch. 1 of this work).
 - 18 See *supra* section 1.2.a.
 - 19 ‘Subsumption’ is the translation, in Latin etymology, of the German Hegelian: ‘*Aufhebung*’ (*auf* = *sub*; *Hebung* = *assumptio*).
 - 20 ‘*Ruhende Möglichkeiten*’. The Hegelian sense of ‘*Ruhe*’ is evident. Being still ‘*in itself* (*an sich*)’ is ‘peaceful’, ‘in peace’, pacific, quiet, resting before enterprise. He has not yet placed it outside, in the existence, exteriorized, alienated.
 - 21 See Dussel (1990, Section 9.1: 336ff (‘From *non-being* to *being*’)).
 - 22 Here he would be dealing, and not in the *Unpublished Chapter VI*, with the ‘Result of the production process [...] change in the law of appropriation’, says Marx (MECW. 33: 347, as item ‘7’ of the January 1863 plan).
 - 23 Cf. Dussel (1990, Section 14.3: 286ff., and 15.2: 308 ff.).
 - 24 In German: ‘*Wahrheit*’ (truth), not ‘validity’.
 - 25 Marx (1977: 720–3).
 - 26 Cf. Marx (1974a: 7–49). Since 1846 in Brussels, Marx had dealt with mathematics (cf. Marx 1973: 366–70). In a letter of 11 January 1858 he wrote: ‘I have never felt at home with arithmetic (MECW. 40: 256). There are still more exclamations in the letter of 31 May 1873 (MECW. 44: 504).
 - 27 e.g. cf. Lagueux 1981.
 - 28 See Dussel (1990). The third draft (pp. 9–131), and the fourth draft (pp. 133–293) allow me, in the present work, to arrive at some new conclusions (pp. 295–450).

12 The Manuscripts of 1861–63 and the philosophy of liberation

- 1 For Hegel, ‘the whole is the truth (*Das Wahre ist das Ganze*)’, or ‘the concept is everything’. Marx, explicitly referring to such Hegelian expressions, relates everything (all production world and economy) to ‘labour’ (remember what has already been said in Chapter 9). Thus, the radical origin, *from where* Marx constructs all the building of his discourse, is ‘living labour’.
- 2 See MECW. 30: 255; MECW. 31: 31; MECW. 33: 361–2 and 399ff.; and MECW. 34: 18, 32 and 123.

- 3 What we said about technology could be now repeated by analogy for science (see Dussel 1984b: 29ff. One could speak of: (1) 'science in general' (in abstract, in its 'normal' sense), and 'philosophy of science' which studies this object; (2) 'science as mediation of production' (my introduction, pp. 43ff.); (3) 'science as capital'; (a) 'science as constant capital'; (b) 'science as mediation of the increase of relative surplus value'; (c) 'science in the cycle of capital'; (4) 'science in the organic composition of capital'; (5) 'science in the dependency of peripheral countries'; and (6) 'liberation of science for humankind', etc.
- 4 See Koyré 1929. Böhme was one of the founders of 'German philosophy' (cf. Dussel 1974: 44ff.)
- 5 'If in the work of any knowledge pertaining to the works of reason the secure path of science is followed or not, such thing is soon judged by the results [...] And it constitutes a service for reason to discover where it will be possible to find such a way [...] Why is it then, that science has not yet found here [in metaphysics] a secure way?' (Kant, *Kritik der reinen Vernunft*, B VII–XV).
- 6 Fichte, following in Böhme's steps and starting from the Kantian 'transcendental apperception' of the 'pure Self', proposes the path of science as an absolute introjection of self-consciousness: 'This (A = A) thus is given to the Self and because it is absolutely given and without any other foundation, must be given to the Self by self.' (*Grundlage der gesamten Wissenschaftslehre* (1794), Section I; Fichtes, Berlin, 1971, Vol. I, pp. 92–4).
- 7 For Schelling – although now the starting point is not the finite self but the absolute Self – science also means to travel on the dialectical path. 'All science which is not empirical and thus must exclude from its principle any empirical data does not presuppose its object as it already exists, but as produced' (Schelling, 1927, Vol. III, p. 369). This 'producing the self is eternally and absolutely an object for it Self' (ibid., p. 371). Schelling understands by dialectics and by science, 'to treat all parts of philosophy as a continuity and all philosophy just as it is, that is, as a progressive history of self-consciousness, history to which the data from the experience only serves as memory and document' (ibid., p. 331). The quotation evidently comes from the first Schelling.
- 8 See what has already been said in Section 9.4.
- 9 In German '*überspringt*' means: 'jumps', 'skips'.
- 10 For the adequate use of abstraction see in the German edition of MEGA II, 3: 83, 88, 131, 210, 252, 253, 1,131, 1,265, 1,266, 1,461, 1,494, 2,150, 2,215, 2,261. Regarding the inadequate use of abstraction in the bourgeois economic science, see MEGA II, 3, pp. 88, 134, 137, 338, 341, 343, 381, 383, 759, 816, 840, 908, 1,002, 1,063, 1,118, 1,122, 1,123, 1,141, 1,279, 1,324, 1,487, 1,518, 1,525, 1,630, 1,785.
- 11 Aristotle, 1960, Ch. 11, p. 172.
- 12 Aristotle, 1960, Ch. 11, p. 639.
- 13 Aristotle, 1960, Ch. 2, p. 101.
- 14 Kant, 1968, second edition, p. 86.
- 15 Kant, ibid., p. 354.
- 16 Kant, ibid., p. 785.
- 17 Kant, ibid.
- 18 Fichte (1971, Vol. I, pp. 119–20; cf. Dussel 1974: 51ff.). Fichte says: 'We must seek the absolute principle first entirely unconditioned from all human knowledge' (ibid., p. 47). According to Marx, the first unconditioned principle of all production and economy is 'living labour' (not the 'pure self' of idealism from Descartes to Hegel).
- 19 The latter, evidently is the old Schelling, anti-idealist, in spite of Engels or Lukács.

- 20 Cf. Dussel (1974: 199ff.; Dussel 1985a, section 2.4; Dussel 1973, Vol. I, Ch. 3ff.; etc.). Living labour, as ‘non-being’ is expressed, in a quoted text: ‘it posits its objectivity as its own *non-being*, or as the *being* of its *non-being*’ (MECW. 34: 202). For Marx, ‘being is [capital], non-being [living labour] is *real*’.
- 21 Regarding ‘living labour’ as opposed to ‘objectified labour’, see MEGA II, 3: 30, 34–6, 42, 53–7, 66–9, 85, 99–102, 110, 116–20, 148–50, 300, 536, 803, 1,396, 1,406–17, 1,423, 1,604, 1,619, 1,635, 1,631, 1,665–7, 1,680, 1,742, 1,900, 1,901–2,015, 2,053, 2,059, 2,099, 2,171, 2,229, 2,231, 2,247, 2,267, 2,284, 2,355. ‘Living labour’ as the ‘creating source (*Quelle*)’ pp. 35, 36, 66–70, 86, 101, 142–3, 148, 178, 370, 599, 622, 623, 2,232, 2,265, etc.
- 22 See the Spanish translation of the corresponding part of the *Manuscripts of 1863–65* regarding the question of the ‘poor’ in Marx 1985: 107–21.
- 23 I wrote these lines in 1987.
- 24 Regarding the contradiction ‘essence–appearance (*Wesen–Erscheinung*)’, see in MEGA II, 3, pp. 10, 11, 16, 17, 48, 49, 61, 66, 86, 93, 94, 99, 148, 149, 159, 379, 451, 727, 759, 803, 816, 817, 862, 1,047, 1,123, 1,264–6, 1,283, 1,284, 1,315, 1,325, 1,450, 1,453, 1,454, 1,460, 1,464, 1,474–7, 1,482–7, 1,490, 1,493–5, 1,548–51, 1,601–7, 1,630, 1,818, 1,907, 2,100, 2,106, 2,111, 2,117, 2,163, 2,181, 2,190, 2,248, 2,249, 2,262, 2,372. Regarding mere ‘appearance (*Schein*)’: pp. 97, 134, 146, 289, 290, 345, 688, 863, 1,284, 1,317, 1,450, 1,501, 1,509, 1,574, 1,603, 1,749, 1,810, 2,267, 2,293. Hegel had written: ‘Impelling itself towards real truth existence, conscience shall reach a stage at which it will get rid of its appearance (*Schein*) [...] to reach a point in which manifestation becomes equal to *essence* (*Wesen*), and at which, consequently, its exposition precisely coincides with such point of the authentic science of spirit [...] when capturing by itself such essence of it’ (*Phänomenologie des Geistes*, op. cit., p. 75).
- 25 ‘*Metá*’: ‘beyond’; ‘*physiká*’: world’s horizon. A ‘trans-ontology’ or a ‘meta-physics’ (Cf. Dussel (1985b, sections 3.4.5, 2.4.9, etc.; Dussel 1974, Section 25, pp. 17ff.; Dussel 1985a, Section 17.1. pp. 337ff.; etc.).
- 26 Fichte (1971, Vol. I, p. 118).
- 27 Cf. Dussel (1985a, Ch. 2: 52ff.; Dussel 1974, section 19: 137ff.).
- 28 In a letter to Engels of 16 January 1858, Marx wrote that he had ‘completely demolished the theory of profit as hitherto propounded’ (MECW. 40: 249).
- 29 Cf. in the *Grundrisse*: ‘The third moment to be developed (*entwickeln*) [...] the concept of capital (*der Begriff des Kapitals*)’ (p. 319). It must be taken into consideration that the ‘development of the concept of living labour’ originates and has as its own moment the ‘development of the concept of objectified labour’. In the latter consists the necessity of ‘developing the concept of capital’ (ibid.: p. 331) From an ‘accurate conceptualization of the fundamental presupposition [capital] all contradictions of bourgeois production must be derived’ (ibid.: p. 331).
- 30 ‘Path’ or ‘Way (*Gang*)’ is a reference to Kant.
- 31 Cf. in MEGA II, 3 on the ‘construction of categories’: 146, 242, 375, 451, 613, 817, 989, 1,346, 1,488, 1,522, 1,603, 1,676, 2,180, 2,376, etc.
- 32 See the development of ‘money capital’ (section 10.1), from money as money, of the medieval miser, into credit capital properly capitalistic.
- 33 Cf. some methodological reflections I have expressed in section 4.1ff., and especially section 7.2.
- 34 See the ethical standing of the relation with the ‘other’ in Dussel (1985a, Ch. 17; the five volumes of my work *Para una ética de la liberación latinoamericana* (1973–80); and Dussel 1996: 19–63: ‘The reason of the other: *interpellation* as speech-act’).
- 35 See Dussel (1998, Section 4.1; to be published by Duke University Press late 2001/early 2002).

- 36 Cf. what has been indicated in Section 10.4 in Jones' words: 'This analysis [...] goes so far that the independent material form of wealth disappears and wealth is shown to be simply the activity of men [...] But from the moment that the bourgeois mode of production [is] recognized as *historical* [...] the prospect opens up of a new society, [a new] economic formation of society [...]' (MECW. 33: 345–6).

13 The *Manuscripts of 1861–63* and the 'concept of dependency'

- 1 Lenin does not relate the greater organic composition of capital to the question of value and price, either, but there are many references to the technological issue.
- 2 In the same volume there are articles by L. Vitale, R. De Armas, A. Gunder Frank and others. See also Frank et al. (1972) and Sempat-Assadourian et al., (1973). In all these works not once is there a discussion of 'price of production' or 'world value'. The categories are somewhat ambiguous; the concept of 'mode of production' is largely Althusserian. There is talk of 'surplus', but never of 'transfer of surplus value'.
- 3 Since Marx had already constructed a set of 'abstract' categories, in order to avoid new imaginary abstractions, only concrete historical studies would be necessary in Latin America – and that is what Frank's study was supposed to be.
- 4 This is as far as the definition of dependency as such goes; in his valuable book *Imperialismo y dependencia*, Dos Santos says that 'their economy is *conditioned*' (1978: 305). Is it only a 'condition'?
- 5 See what I have written on Marx's plans in my work (1985a, sections 2.4 and 26.4) and the Introduction and section 10.5 of this work.
- 6 Marini writes 'transfer of value' on p. 35 and elsewhere in the same work.
- 7 Cf. Dussel (1985a: 371). It seems important to us that in a recent article Cueva says that 'it is useful to highlight the fact that through this distinguished group of creators, [Latin American] Marxism became indissolubly fused with the *national* and the *popular*' (Cueva 1986: 28). 'Nation' and 'people' are therefore categories to be defined and used.
- 8 See *Capital*, Vol. 3, where Marx writes; 'Further details on this belong in the special study of competition' (1981b: 298). The plan from the *Grundrisse*, then, continued in force on this point. When discussing 'competition' in the *Grundrisse*, Marx also frequently noted that 'further analysis [of this problem] belongs to the section on competition' (MECW. 28: 364). And later he would still write, 'this is an aspect to be discussed when we come to "Competition among Capitals"' (MECW. 33: 280).
- 9 Cf. (MECW. 29: 38). In the *Manuscripts of 1861–63* see on 'competition': in general (German edition MEGA II, 3: 1,644, 215, 146, 286); as a form of realization of capital (1,603, 1,605, 1,630, 2,273); as a compulsive law of capital, and important for dependent total national capital (261, 307, 1,603, 1,604, 1,606, 1,677, 1,678); between capitalist countries (674, 677); between capitalists (722–4, 727, 853, 990, 1,107, 1,443, 1,275, 1,273, 1,276, 1,501, 1,506, 1,597); and average profit (684–6, 722–4, 854–6, 1,513, 1,568); and value of the commodity (750, 906, 939, 940, 1,568, 1,904); and price of the commodity (750, 754).
- 10 On this question see the view presented in Dussel (1985a, Ch. 18).
- 11 On this point see Dussel (1985a, Ch. 18, section 1).
- 12 The question of the state in Marx corresponds to Hegel's bourgeois society (Hegel 1942, sections 182–250); the external relations among states in Marx correspond to the same question in Hegel (sections 330–49); the world market in Marx points to the question of 'world history' in Hegel (sections 341–60).

- 13 Marx speaks of 'less developed countries' (*minder entwickelte Länder*) (MECW. 32: 170).
- 14 Marx frequently uses the expression 'the total capital (*Gesamtkapital*) of a nation' (see MECW. 29: 227). 'If we assume a single capital, or treat the various capitals of a country as one capital (national capital; *Nationalkapital*) as distinct from that of other countries ...' (MECW. 29: 52). Marx also speaks of 'national wages' (Marx 1977, Ch. 22), or of 'the national capital' (MECW. 29: 621).
- 15 In Marx the 'national question' must be posed precisely at this level: what prevents competition from being perfect (i.e. the existence of monopoly as an extra-economic 'political' fact) is the existence of 'nations' with states. The condition of global capital in its conservation and reproduction has *relatively* resistant national barriers (although they are frequently breached to some degree). Samir Amin notes correctly that, 'The question of internal development obviously proceeds from the existence of the national fact, which economic theory tries to ignore. The capitalist system, even though it may have unified the world, has unified it on the basis of unequally developed nations' (Amin 1974: 86). The existence of the 'national fact' in no way denies dependency, nor vice versa. Both exist; one as the partial substance (the nation), the other as the connection in competition (and, therefore, explaining the transfer of surplus value from one 'nation' to another, nothing more and nothing less).
- 16 The organic composition of capital or the degree of the productivity of labour makes possible a rise in the 'average' value of labour capacity in the developed countries, objectively. Both wages and means of production have national or monopoly 'averages' or their own barriers. 'Competition' is not perfect among individual capitals or branches in the world market; it is mediated and modified by the confrontation of total national capitals with different 'averages'.
- 17 Cf. Dussel (1985a, Section 7.2).
- 18 '... These countries are *coerced* to compete with others, much more developed' (MECW. 31: 251).
- 19 See all this in detail in Kuntz (1985: 124ff.).
- 20 Otherwise 'a nation originally poor like the Dutch would never have been able then to gain exchange values through foreign trade and become bourgeoisly rich' (Marx 1974b: 810).
- 21 These two chapters, already cited, are Ch. 20 of Vol. 1 of *Capital* and Ch. 14 of Vol. 3. They are both *anticipations* of more concrete problems that were to have been dealt with later, according to the plan, both methodologically and pedagogically.
- 22 The 'national question', as we have pointed out, is in its essence fundamental to international competition, and it was not often treated that way in the debate on dependency.
- 23 This result is drawn in terms of categories and explicitly from Marx's theoretical work between June and August of 1862. See Ch. 7 on rent.
- 24 This question is dealt with in Ch. 10 of Vol. 3 of *Capital*.
- 25 The difference between a 'law' (*Gesetz*) and a 'tendency' (*Tendenz*) reminds us of the difference in Hegel between the 'essential world' and the 'phenomenal world'.
- 26 'Three quarters of the export of the periphery are from modern sectors with strong productivity' (Amin 1971: 68; see the same point in Amin 1979: 79).
- 27 It is interesting that in the work of Paul Baran and Paul Sweezy (1966), it is noted that students in an eastern [European] country were not able to answer the question, 'What is monopoly?' the authors themselves never give a definition of monopoly. Perhaps the closest thing to our subject in their work is the determination of 'monopoly price' (Baran and Sweezy 1968: 48–66). The

- subject is touched upon in the *Manuscripts of 1861–63*: ‘monopoly’ in general (MEGA, II, 3: 99, 116, 117, 147, 1,448), and private property (749, 754, 806, 814, 956, 1,470), and competition (1,682), and the question of monopoly price (691, 749, 814, 960), etc. Clearly, monopoly is the negation of competition, but in order to restore it at another level. Thus capitalist ‘nationalism’ (protectionism) is monopoly at a national level, but one that organizes competition within national borders. On the other hand, the strong total national capital is interested in breaking down the national barriers to allow ‘world competition’.
- 28 See the difference between the value of labour capacity and the value of wages in MEGA (II, 3: 2,149, 13ff.). The wages of the periphery can fall absolutely and the value of labour capacity can be reduced to the miserable vital minimum.
- 29 The first two volumes of the magnificent work by Immanuel Wallerstein (1979) are an excellent example of this history.
- 30 On the concept of ‘nation’ see Dussel (1984); on the category of ‘people’ see Dussel (1985a, Section 18.6).
- 31 Cf. Arce (1985). At one point he says: ‘This experience can be presented as a convergence between ... Nationalism ... Christianity ... Marxism’ (Arce 1985: 9).

Appendix 2 Exteriority in Marx’s thought

- 1 Here Marx uses the German word *Nichts*: nothing, nothingness. The English translation does not give this meaning, which is important for me.
- 2 In this text the English standard translation of *Leiblichkeit* (‘physical form’ instead of ‘corporeality’) is wrong.
- 3 For further details see Dussel (1985b).
- 4 In Dussel (1973, Volume II, pp. 93–94) I wrote: ‘From this nothingness (*ex nihilo*), from his liberty (first nothingness itself), the other as creator, interpleader, demanding justice, erupts.’ In Dussel 1979 (p. 76), I wrote: ‘A distinction should be made between “the oppressed as oppressed” and “the oppressed as exteriority”. In the former case he is just a functional part of the system; in the latter, he is a moment, exterior to the system. The notion of *people* includes both aspects, namely, what the system has introjected into the oppressed and the positivity of the oppressed as *distinct* from the system.’ In this work by ‘different’ I meant subsumed and by ‘distinct’ I meant exterior. *Differed* (sic) is wage labour as a determination of capital; *distinct* is living labour as non-Capital. Our earlier categories were exact though abstract. I did not know at the time that those were the same as Marx’s.

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