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The Story of a Great Discovery

Instead of an Introduction

How *Capital* was created

Is it necessary to know the background to Capital? The main stages. Why is the period from 1850 to 1863 so interesting? Marx's creative laboratory.

Like people, books also have their destiny and their biography and we decided to follow the history of *Capital* in its culminating period from 1850 to 1863. Although none of the volumes of *Capital* had yet appeared, it was nevertheless in this period that Marx had evolved all the major parts of his theory of economics. The history of *Capital* is essentially the history of the background of this theory and how it was evolved.

The history of the economic doctrine of Marx is so dramatic and so full of facts that it makes very interesting reading and is not at all just for those specializing in the history of Marxism.

But why should one know the history of Marx's economic theory anyway? Isn't it enough to study this theory of economics itself, as set out in the four volumes of *Capital*? This history must be known since the economic doctrine of Marx can only be correctly understood in its development, in its evolution. Otherwise, it will certainly be understood only in a dogmatic sense, i.e. in a way which is distorted, false and superficial.

Studying the history of *Capital* provides an opportunity of fixing the periods of time in which Marx wrote the individual volumes of it. It will be found that the manuscript of the fourth volume was completed at the beginning of the 1860's and that of the third volume halfway through the same decade. The first volume was published in 1867 and the second was prepared for printing by Engels mainly on the basis of manuscripts compiled by Marx in the 1870's. So Marx wrote *Capital* from back to front, so to speak, from the fourth volume to the first (although the second volume does not fit in with this scheme of things). It will subsequently be seen that this really was the case and we will try to show the reasons for this. For the start, it may be noted that the knowledge and understanding of this fact which is so important for the history of *Capital* is also of significance for the thorough study of this work. Marx's economic theory was developed in a rather tumultuous fashion. Its level of development, its degree of maturity, changed very greatly not only in the 1840's, 1850's and 1860's but also within the period of each decade. This is also reflected in the terminology used by Marx.

By studying the history of *Capital* we can follow how Marx elaborated his economic doctrine, how he discovered the laws of the capitalist mode of production, how he overcame the shortcomings of bourgeois political economy and how he revolutionized the science of economics from the standpoint of the working class. Studying the history of Marx's theory of economics reveals his creative method and takes us into his creative laboratory'. Mastery of Marx's methodology of scientific research is the key problem if one wishes to acquire Marxist-Leninist theory in a creative way and to apply it correctly in explaining the phenomena of life in the human society of our age.

In the Soviet Union, V. V. Adoratski, V. K. Brushlinski, I. A. Leontyev, A. L. Reul, D. I. Rosenberg and other scholars have devoted and are devoting great attention to the history of evolution of Marx's theory of economics and have thrown a great deal of light on the subject. In recent years, scholars in the German Democratic Republic have also concerned themselves with the history of *Capital*.

The history of the evolution of Marx's economic doctrine is somewhat complicated. This has led to a lot of arguments among investigators since what has to be done here is to classify this history into scientific periods, to break it down into a number of stages in agreement with the level which Marx had reached in each of these stages when elaborating his theory. To illustrate this, the various schemes may be quoted which historians of Marxism from the German Democratic Republic have put forward as a basis for assigning dates to the various periods.^[1]

Professor Alfred Lemnitz divides the development of Marx's theory of economics into four stages : 1843 to 1848/49, 1850 to 1860, 1861 to 1867 and 1868 to 1883.

A. Benary and H. Graul divide it into three stages: 1843 to 1846, 1847 to 1860 and 1861 to 1883.

Finally, Wolfgang Jahn suggests the following periods: 1842 to 1846, 1847 to 1862, 1863 to 1867 and 1868 to 1895.

It will be noted that there is a considerable variation in the dates suggested and we would like to add that none of the schemes proposed seems to us to be completely acceptable.

In our view, the real criterion which would have to be taken as a basis for dating the various periods in the history of the economic doctrine of Marx is the level which Marx had attained at any given period in the elaboration of his theory, especially the theory of value and the surplus-value theory.

How is it that the historians have come to such divergent conclusions? A special characteristic of Marx's creative method was that in the field of political economy his work always progressed in two parallel directions : the critique of capitalism, especially the critique of bourgeois and petty-bourgeois theories, and the elaboration of his own theory of economics. In Marx's economic research, the solving of these two tasks was really a single process. This characteristic of Marx's method of research is also reflected in the dual title which he gave to his work on economics : *Capital. Critique of Political Economy*. Marx originally intended to call his work *Critique of Political Economy* or *On the Critique of Political Economy*. In the letter of 22nd February 1858 to Lassalle, he characterizes his work in these words : " The first work in question is *critique of the economic categories*, or, if you like, the system of bourgeois economy critically presented".^[2] It is both a description of the system and, through the description, a criticism of the system.

In this connection, the argument of A. Benary and H. Graul does not hold water at all since they assert that between 1847 and 1860 Marx exploded the bourgeois theories of political economy and from 1861 to 1883 worked out the Marxist scheme of political economy. Attempts to split up the homogeneous process in which Marx elaborated his theory of economics lead to a distortion of the actual development of Marxism.

If we take the period from 1850 to 1863, we assume that it was precisely in this period that Marx evolved his theories of value, surplus value, average profit and price of production, which supplemented his surplus-value theory. Everything which Marx did before this period, i.e. between 1843 and 1849, in the field of political economy, may be designated as the pre-history of his theory of economics.

First of all, a few words about this pre-history. In the development of the Marxist theory of economics, the 1840's are an important period. During this.. time, Marx and Engels worked out their dialectical and materialist view of history in such works as the *Philosophic-Economic Manuscripts*, *The Holy Family*, *The Position of the Working Class in England*, *The German Ideology*, *The Poverty of Philosophy*, *Wage-Labour and Capital*, *Speech on the Question of Free Trade*, *Manifesto of the Communist Party* and

others. They extended dialectical materialism to the understanding of human society. From the totality of social relations, they emphasized the material economic relations, the relations of production, which are formed independently of the will and consciousness of people, as the original and determining factors-in contrast to the ideological relations which pass through the human consciousness before they emerge. The relations of production as such are determined by the level of development of the productive forces.

By emphasizing the relations of production and, isolating them from all other social relations, Marx and Engels were enabled to discover the common features in the social development of different countries and to generalize the economic relations which prevailed in these countries in the concept of the economic formation of society. The objective character of the relations of production which are dependent on the level of development of the productive forces enabled the development of the economic formation of society to be considered as an historical process, i.e. strictly in accordance with the natural laws of development. As a consequence of this, the science of society was given a scientific foundation for the very first time.

This was - by and large - the element of genius in the "Idea of Materialism in Sociology" with which Marx and Engels achieved prominence in the first half of the 1840's.

At this point, mention must be made of the predecessors of Marx and Engels: of Hegel, who attempted to describe the internal development of the history of human society, of the French historians Thierry, Guizot and Mignet, who discussed the English Revolution of the 17th century and the French Revolution of the 18th from the standpoint of the class struggle, and of the English economists Petty, Smith and Ricardo who investigated the economic anatomy of the classes of bourgeois society. All this justified Lenin in characterizing Marxism as the highest level of development of all the really great achievements of the historical, economic and philosophical sciences of Europe.

The materialist conception of society advanced by Marx and Engels was at first only a scientific hypothesis which still had to be proved. "Naturally, *for the time being*," wrote Lenin, " it was only a hypothesis, but one which first created the possibility of a strictly scientific approach to. historical and social problems."[3]

Without having been fully demonstrated at the time, this hypothesis enabled Marx and Engels as early as the 1840's to develop a consistent criticism of bourgeois society from the proletarian standpoint, which was totally different from a petty-bourgeois one. Already in the works referred to above, which were produced during the 1840's, Marx and Engels set out the arguments for their doctrine of class-struggle. They revealed the nature of class antagonisms in capitalist society and demonstrated that socialism is the unavoidable result of the economic laws operative in capitalist society. They showed

that capitalism, in the shape of the working class, is its own gravedigger. They also proved that the periodic crises of over-production are the expression of the irreconcilable contradictions of capitalism and are inevitable.

From the materialist conception of history, there also followed the exceptionally important position of economic theory in the system of Marxism as a whole. When the relations of production are the original and determining relations, it is only the investigation of these economic relations and the analysis of the laws of the functioning and development of the economic formation of society which enable the real driving forces of social development to be identified and the tendencies of this development to be indicated.

This is why Marx, once he had formulated the basic theses of the dialectic and materialist concept of history, devoted the whole of his attention to the investigation of the relations of production of the capitalist formation of society. Lenin made the following remarks about this: "Now, however. Marx, who had expressed this hypothesis in the forties, set out to study the factual ... material. He took one of the social-economic formations - the system of commodity production - and on the basis of a vast mass of data (which he studied. for not less than twenty-five years) gave a most detailed analysis of the laws governing the functioning of this formation and its development." [4]

In the explanation of the capitalist formation of society, Marx concentrates on the relations of production but also follows the superstructure phenomena corresponding to these: "Now - since the appearance of *Capital* - the materialist conception of history is no longer a hypothesis but a scientifically proven proposition ..." [5]

Marx's intensive work in the field of political economy began in July 1850. The study of the "factual material", as Lenin put it, lasted until the autumn of 1857. Marx studied bourgeois political economy and the history of economic relations and investigated capitalist reality in its actual and specific form. The numerous 'Notebooks' give an idea of Marx's activities during this period.

In the period from October 1857 to May 1858, Marx wrote a manuscript of about 50 printed sheets, the result of seven years of research and the first draft of what was to be *Capital*. In this manuscript, Marx elaborated the most important aspect of his theory of economics for the first time: the, theory of value and the theory of surplus value.

Engels said that Marx had made two great discoveries: the first was the materialist conception of history, the second the theory of surplus value. *It was precisely while working on the manuscript of 1857/58 that Marx made his second great discovery.*

In 1859, Marx published the first results of this research work. This was Part I of his book *A Contribution to the Critique of Political Economy* which at first only contained a description of his theory of value.

In 1861, Marx began the preparation of the second volume of *A Contribution to the Critique of Political Economy* but soon interrupted this work and started on a great new programme of research work, a critical review of the entire field of bourgeois political economy. The result of this work was the mighty manuscript of 200 printed sheets of 1861/63 which contains the first systematically formulated version of all four volumes of *Capital*. While working on this manuscript, Marx developed his theory of average profit and of the production process[6], thus putting the finishing touches to his theory of surplus value.

From 1864 to 1865, Marx compiled new versions of the first three volumes of *Capital* and then began to prepare the first volume for printing.

While working on his theory of economics, Marx also worked out the structure of the future *Capital*. The elaboration of the structure of *Capital*, as regards both the complicated nature of the task and its significance, can certainly be ranked with Marx's great discoveries in the field of economic theory. Marx intended "theoretically to give the bourgeoisie a blow from which it will never recover." [7] This blow had to be delivered with a perfect weapon, perfect not only in content but also in form. This weapon was *Capital*.

When studying the history of *Capital*, we should always bear in mind the apt character-sketch which Frederick Engels gave of his great friend when he said that Marx was not at all a bookworm but first and foremost a revolutionary. This remark will help us to avoid too narrow an approach when following the evolution of Marx's economic doctrine. His theoretical work was always subordinated to the interests of the working class, to the interests of the proletarian revolution. The thorough economic studies of 1850 to 1857 were just as much directly associated with the defeat of the Revolution of 1848/49 as the preparation of the manuscripts of 1857/58 and the elaboration of the surplus-value theory with the expectation of a new revolutionary crisis. But there was no revolution and Marx, who had been working feverishly to finish the basic theses of his theory of economics before "the flood", before the outbreak of the revolution, once again turned to the detailed investigation of economic problems, regardless of Engels' persistent requests to publish the theoretical results already obtained, despite the turn of events. It was not until 1867, in the first volume of *Capital*, that Marx published his theory of surplus-value, i.e. a good ten years after its elaboration! This was an instance of Marx's conscientiousness in theoretical matters.

The period from 1850 to 1863, which we have taken as the subject of our observations, supplies us with all that we need to learn about Marx's method of work and his 'creative laboratory'. This includes his 'Notebooks' and his draft manuscripts, his published works and his extensive correspondence. All these works and documents enable us to follow the development of Marx's economic ideas in detail and to reproduce his train of thought in full.

Footnotes

[1] A list of the publications by historians of the GDR on this question is given by W. Tuchscheerer: *Zur Marx-Engels-Forschung in der DDR auf dem Gebiet der politischen Ökonomie, Beiträge zur Geschichte der deutschen Arbeiterbewegung, Sonderheft "Beiträge zur Marx-Engels-Forschung in der DDR"*, 1962.

[2] K. Marx, letter to F. Lassalle of 22 February 1858, in: Marx/Engels, *Selected Correspondence*, Foreign Languages Publishing House, Moscow 1953. p. 124.

[3] Lenin, What the 'Friends of the People, Are and How They Fight the Social Democrats, *Collected Works*, Vol. I, Foreign Languages Publishing House, Moscow 1961, p. 139.

[4] *Ibid.* p. 141

[5] *Ibid.* p. 142.

[6] {Vygodsky, *A Book for All Time*, Novosti Press, 1967, hereafter *BAT*, pp4-5, has 'price of production, and also the theory of ground rent.' This seems to make much more sense than 'of the production process'. SP}

[7] K. Marx, letter to C. Klings of 4 October 1864.

Chapter 1

The theoretical luggage with which Marx arrived in London. in August 1849. The Poverty of Philosophy and Wage-Labour and Capital- the nucleus of his economic theory and the point of departure for further research. The theory of value and surplus-value of the classical bourgeois economists and their fundamental shortcomings. Marx's application of the materialist conception of history to political economy. Why the study of the subject-matter had to begin again "right from the start".

Standpoint for observing bourgeois society

Expelled from Paris, Marx arrived in London at the end of August 1849 and lived there for the rest of his life. In the middle of September he was joined by his wife and children from Paris and Frederick Engels also came during the first half of November. This was the start of a new period in Marx's theoretical activities, the period of the 1850's.

This new period can only be understood and comprehended when it is considered together with the preceding period of the 1840's with which it is inseparably associated.

As regards the science of economics, the greatest achievements of the 1840's were Marx's *The Poverty of Philosophy*, published in 1847 in Paris and Brussels, and his lectures on *Wage-Labour and Capital*, held in December 1847 at the German Workingmen's Club of Brussels and printed as a series of leading articles in the *Neue Rheinische Zeitung* in April 1849.

In these works and on the basis of his materialist concept of history, Marx began to work out his theory of economics in detail. At the same time, he included in this his critique of the bourgeois economists.

In *The Poverty of Philosophy*, Marx exposed the fundamental methodological faults of the entire system of bourgeois political economy - its ahistorical character, its endeavours to represent the economic laws of capitalism as eternal laws of Nature. "Economists express the relations of bourgeois production ... as fixed, immutable, eternal categories ... Economists explain how production takes place in the above-mentioned relations, but what they do not explain is how these relations themselves are produced, that is, the historical movement which gave them birth."^[1]

As a result of his historical approach to social relations, Marx formulated in *The Poverty of Philosophy* one of the most important theses of his economic doctrine: The relations

of production are not, as is the opinion of bourgeois economists, relations between things but relations between people with reference to things. This view of the relations of production enabled Marx to overcome the ahistorical character and empiricism of bourgeois economists.

In *The Poverty of Philosophy*, Marx clarified the real position of Smith and Ricardo in the history of the science of economics and showed that Proudhon's theory of economics, which was claimed to be the last word in political economy, was a step back in comparison with Smith and Ricardo. "Ricardo's theory of value is the scientific interpretation of actual economic life; M. Proudhon's theory of value is the utopian interpretation of Ricardo's theory."^[2]

An idea of the qualitative advance achieved by Marx in his appreciation of the nature of the capitalist mode of production is conveyed by his critical commentaries on Ricardo's *On the Principles of Political Economy* in 1844. In these commentaries, Marx still rejected Ricardo's theory of labour-value from an incorrect standpoint.^[3] In his *Outlines of a Critique of Political Economy*, Engels likewise attacked the labour-value theory. He wrote that "The difference between real value and exchange value is based on the fact - namely, that the value of a thing differs from the so-called equivalent given for it in trade; i.e., that this equivalent is not an equivalent."^[4] Marx later made the following comment at this point: "Engels is trying to explain the difference between exchange-value and price by (postulating) that trade is impossible when goods are exchanged on the basis of their value."^[5] Marx had dealt with this error in all its aspects in 1847. In *The Poverty of Philosophy*, he outlined, as it were, the point of departure for the next investigations in political economy. Above all, a critical analysis had to be made of the theories of Smith and Ricardo and the investigation of English economic conditions in general had to be- begun since the English bourgeoisie "is itself the type of the modern bourgeoisie".^[6] This important thesis resulted. from the concept of the economic social formation, it signified a practical aspect of this concept, and in the letter to Engels of 2nd April 1851 Marx quite specifically refers to the English economists A. Smith and D. Ricardo as marking the pinnacle of bourgeois economics.^[7]

In *The Poverty of Philosophy* Marx had already shown that the production relations of mankind are part of political economics and that the economic categories express these production relations.^[8]

Of fundamental significance in this connection was the statement of the primacy of social production, of production relations forming a single entity with the productive forces as compared with the other social relations: "The mode of exchange of products depends upon the mode of exchange of the productive forces Thus in the history of society we see that the mode of exchanging products is regulated by the mode of producing them."^[9]

The question -which must now be raised is to what extent did Marx work out his own theories of value and surplus-value in *The Poverty of Philosophy* and *Wage-Labour and Capital*. But before this is attempted, it is still necessary to examine the value and surplus-value theories of the classical bourgeois economists. This will enable us to draw a clear comparison between the content of the two works by Marx and the conclusions which had already been arrived at by Smith and Ricardo.

A detailed review of bourgeois political economy is given in the four volumes of *Capital* and in *A Contribution to the Critique of Political Economy*. Only the conclusions to which Marx came in his analysis of bourgeois political economy are set out here.

The greatest merit of the standard authors of bourgeois political economy was their effort "to grasp the inner connection", to comprehend "the inner connection in contrast to the multiplicity of outward forms"[10]. This is evident above all in the fact that they postulated the theory of labour-value.

Even the bare statement that human labour is the source of value was an epoch-making event in the history of political economy. From the example of the English economist W. Petty, Marx showed, however, "that recognition of labour as the source of material wealth by no means precludes misapprehension of the specific social form in which labour constitutes the source of exchange value".[11] This misapprehension, though, is characteristic to a greater or lesser extent of all bourgeois economists. It follows from the apologetic concept of bourgeois political economy which regards the capitalist mode of production as an eternal natural form of production.

The most important condition for comprehending the specific historical character of value-creating labour is in distinguishing both in labour itself and also in its product between the material content (useful activity, labour in a specific, tangible form and use-value as the product of his labour) and the social form (expenditure of human labour in general, no matter in what specific form, and value as the product of this labour).

But classic bourgeois political economy was only beginning to understand the dual character of labour and the product of labour in capitalist society. "The decisive outcome of the research carried on for over a century and a half by classical political economy ... is an analysis of the aspects of the commodity into two forms of labour ..."[12]The bourgeois economists, however, were not able to make a consistent distinction between use-value and value, between concrete and abstract labour, and even when this distinction emerged in their considerations they were usually unaware of it and it remained an isolated phenomenon.

The identification of use-value and value by bourgeois political economy expresses its own peculiar fetishism. This fetishism, in turn, is a consequence of the objective fact that the relations of production in the capitalist mode of production necessarily assume

the form of a relation between things. For the bourgeois economists, wrote Marx, "the material element of capital is integrated with the social form as capital ".^[13]

In this analysis of bourgeois political economy, Marx carefully investigated all the elements of a scientific understanding of the dual character of labour and its product in capitalist society which were to be found in the standard authors (in Ricardo especially) and through which the labour-value theory of the classical economists could at all become the source for Marx's theory of value. Marx remarked on the twentieth chapter of Ricardo's "On the Principles of Political Economy and Taxation" that it is "nothing but an investigation of the difference between use-value and exchange-value".^[14] In another place, he writes that "Like all economists worth naming, (including) Adam Smith ..., Ricardo emphasises that labour as *human activity*, even more as socially determined *human activity*, is the sole source of value."^[15] Marx notes here the factual distinction of the dual character of labour in Ricardo,

These comments by Marx should not be understood as if the discovery of the twofold character of labour was not his merit but was due to Ricardo, for instance, or other bourgeois economists. To use his own words, Marx distinguished that which Ricardo himself had not distinguished. (This applies not only to the theory of value but also to the theory of surplus-value of the standard authors of bourgeois political economy.) But apart from this Ricardo in his investigation of the 'separation' of value from use-value did not appreciate either the qualitative contradiction between them and thus between concrete and abstract labour.

By and large, Ricardo restricted himself to determining the magnitude of labour by labour-time and Marx, from the 'father' of French classical political economy, Boisguillebert, showed "... that it is possible to regard labour-time as the measure of the value of commodities, while confusing the labour which is materialized in the exchange-value of commodities and measured in time-units with the direct physical activity of individuals..."^[16] Ricardo did not understand the most important aspect of the theory of labour-value - the special character of labour which creates value.

The special qualitative nature of labour which produces value is that in capitalist society all labour which is social labour is a link in the system of social production, in the system of the social division of labour, but is not a direct link. On the contrary, under the conditions of private ownership of the means of production, it is directly private labour. Private labour can only express its social nature by abstraction from the concrete form of labour which produces a certain use-value, only by representation as abstract labour, as part of the totality of social labour. Concrete private labour is thus reduced to abstract social labour since the product of concrete labour is realized, i.e., is turned into money. Use-value therefore appears as the product of abstract labour, as value.

Ricardo did not perceive this specific character of social labour in capitalism since he considered the capitalist mode of production as the natural form of all production. This

is why he also missed the special characteristic possessed by labour precisely in a capitalist society.

"Ricardo does not sufficiently differentiate between labour insofar as it is represented in use-value or in exchange-value."^[17] The inability of Ricardo to provide a correct explanation of the nature of money also follows from this. The fact that Ricardo in his theory confuses abstract and concrete labour allowed vulgar economists to regard use-value and value as completely identical. "Thus, with the identification of use-value and exchange-value ends this vulgarisation of Ricardo..."^[18] wrote Marx.

Consequently, the theory of the twofold character of labour could not be substantiated from the position of bourgeois political economy because this necessitated overcoming the bourgeois viewpoint and comprehending the specific historical nature of the capitalist mode of production.

In the theory of labour-value, this is manifested by the inability of bourgeois economists to draw an exact distinction between labour which produces use-value and labour which produces value. "It is true that the latter species of labour is only the former species expressed in an abstract form."^[19] This abstraction remained incomplete in the classical economists and there also followed from this their inability to find a complete division between labour and its product, to separate the commodity form of the product as the result of abstract labour from the use-value of the product as the result of concrete labour.

The standard authors of bourgeois political economy attempted to explain the exploitation of labour by capital on the basis of the theory of labour-value. Their principal contribution to the elaboration of the theory of surplus-value was that they attributed surplus value to surplus labour. "Important as it was", wrote Marx, "to reduce *value* to labour, it was equally important to (present) surplus value, which manifests itself in *surplus-product*, as *surplus labour*. This was in fact already stated by Adam Smith and constitutes one of the main elements in Ricardo's argumentation. But nowhere did he clearly express it and record it in an *absolute* form."^[20]

Understanding surplus value as surplus labour meant explaining its origin from the exploitation of the working class and, in particular, from appropriation by the capitalists of the unpaid labour of the proletarians. In this connection, Ricardo wrote that "... if the reward of the labourer were always in proportion to what he produced, the quantity of labour bestowed on a commodity, and the quantity of labour which that commodity would purchase, would be equal ... but they are not equal ..." ^[21] Here (in the language of bourgeois political economy) it is found that the total newly-created value of the labour-product is greater than the part of the value which the worker receives. Thus it is stated in fact that the unpaid labour of the worker is the source of surplus value.

But Ricardo stops at this point. Taking the theory of labour-value to its logical conclusion means expanding it to surplus value as well, deriving surplus-value from value and explaining capitalist exploitation and the appropriation of unpaid labour on the basis of the law of value. Bourgeois political economy was not able to solve this problem.

The bourgeois economists formulated the problem of explaining surplus-value on the basis of the law of value as the problem of the exchange of labour for capital or the exchange of a larger amount of living labour for a smaller amount of materialized labour.

There are weighty reasons for this formulation. In capitalism, the exchange between labour and capital (between living and materialized labour) is the basic relation of production, the main form of the 'exchange of activities'. "Materialized labour and living labour are the two factors on the contraposition of which capitalist production is based."^[22] Under the conditions of the simple exchange of commodities where the actual producer appears as the owner of product of his labour, the quantum of living labour involved in the exchange is equal to the quantum of materialized labour. One could also speak here of the selling of labour which would mean the selling of the labour-product. In capitalism, the worker is separated from the conditions of labour and thus neither labour (on the contrary, in the production process the conditions of labour 'use' the worker) nor the labour-product are his property.

On the commodity market, the capitalist is confronted not by labour but by the worker who sells the only thing he has to sell, namely his labour-power, his capacity for work. The exchange between labour and capital is thus arranged by the selling of labour-power. "It is likewise impossible to pass directly from labour to capital, that is, from the different races of man directly to the banker or from Nature to the steam engine."^[23]

This necessary intermediate member in the exchange between labour and capital was not identified by bourgeois political economy. It was not in a position to do this because the fact of the selling of labour-power results from the specific features of capitalist production-relations since the capitalist, as the owner of the labour conditions, is faced on the commodity market by the doubly 'free' worker who 'freely' disposes of his labour-power and is 'free' from means of production. The transition to the capitalist mode of production is characterized by the fact that labour-power is changed into a commodity.

As a consequence of their bourgeois limitations, neither Ricardo nor the other bourgeois economists perceived this special aspect of the capitalist mode of production. They did not perceive it because they regarded capitalism as the natural form of all production. Smith was more keenly aware of the specific historical nature of bourgeois society and realized that capitalism, in contrast to a simple commodity economy in which

equivalents were ex-, changed, is based on unequal exchange. This also misled Smith into denying the effectiveness of the law of value in capitalism.

The inability to proceed from labour to labour-power as the commodity sold also followed from the rough-and-ready empiricism which is particularly characteristic of bourgeois political economy. Indeed, on the surface of capitalist society it is not labour-power but labour which appears as a commodity and the wages of labour are represented as the price of labour.[24] This empiricism of bourgeois political economy is also reflected in the fact that it confused surplus-value and profit, that it certainly understood surplus-value as a general category of the capitalist mode of production (this circumstance was covered by the classical authors when they attributed surplus-value - even if this was in the form of profit - to the unpaid surplus labour of the worker) but did not investigate it as a special category in addition to the categories of profit, rent and interest. This alone made it impossible for the bourgeois economists to explain the origin of surplus-value.

Indeed, the equating of surplus-value with profit (average profit) misled the bourgeois economists into identifying the law of surplus-value with the law which states that profit is proportional to the magnitude of the capital advanced - in other words, misled them into regarding value and price of production as the same. In this identity, the surplus-value appears to be derived from the whole of the capital advanced, as an addition to the price of production but not as a result of the unpaid labour of the worker. This reflects the "lack of theoretical understanding for the comprehension of the differences in form of the economic relations ..." which without exception is characteristic of all bourgeois economists and their clumsy "seizure of and interest in material which is empirically available".[25]

Furthermore, the analysis of labour-power as a commodity assumes that the two factors of the commodity as such - use-value and value - and the dual character of commodity-producing labour have been correctly understood.

The category 'labour-power as a commodity' presupposes that an exact distinction is drawn between its value and its use-value, that it is understood that the capitalist, as with every purchase, buys the use-value of this commodity and pays for its value; that it is clear that the use-value of this specific commodity has nothing to do with its exchange-value but is itself the energy which creates the exchange-value".[26] And this newly-created value is greater than the value of the actual labour-power as a commodity. The difference between the value which has been created by the use of labour-power as a commodity and the value of the labour-power itself represents the surplus-value. Thus Marx, by distinguishing between the use-value and the value of the labour-power as a commodity, was able to explain the surplus-value in accordance with the law of value.

The realization of the dual character of the labour which produces commodities also enabled, Marx to explain the capitalist production process which forms the unity of the labour-process (concrete labour) and the process of creating surplus-value (as the result of the expenditure of abstract labour under capitalist conditions). This also permitted an explanation of the circumstance so disastrous for bourgeois political economy that the value of the total social product includes not only the living labour expended ($v + s$) but also expenditure of past materialized labour (c). Marx showed that "this twofold nature of the result can be explained only by the two-fold nature of his (the worker's) labour. "[27] In its quality of concrete labour, the same labour transfers the value of the means of production consumed to the product whilst as abstract labour it produces new value.

By reason of this distinction between abstract and concrete labour, it was also possible to reveal the fundamentally different functions of the constant and variable components of capital in the production of surplus value. Marx wrote "Therefore in order that our investigation may lead to accurate results, we must make abstraction from that portion of the value of the product, in which constant capital alone appears." [28]

Thus the basic shortcomings of the theory of labour-value elaborated by the standard authors of bourgeois political economy meant that right from the start they were not in a position to solve the cardinal problems of the theory of surplus-value.

Since the bourgeois economists consider surplus value as something existing from the very beginning which is characteristic of the capitalist mode of production in a perfectly natural way, they make it impossible to distinguish in any way between absolute and relative surplus value and thus to analyse the emergence and development of surplus value. Ricardo proceeded immediately from a given commodity value which surpasses the 'value of labour'. The difference between the two constitutes surplus-value. Ricardo was interested exclusively in the magnitude of this difference. Without discovering the origin of surplus-value and without analysing absolute surplus value, he passed directly to the consideration of the change in the magnitude of the surplus-value but only examined relative surplus-value. For him, the development of the productive forces of labour only signified an increase in relative surplus-value.

To be able to investigate absolute surplus-value, however, it was necessary to proceed not from the result of production nor from a given commodity-value corresponding *a priori* to the surplus-value but from the capitalist production process as the unity of the labour process and of the process creating surplus-value.

The worker spends one part of the working day in reproducing the value of his labour-power (necessary working time) and, during the rest of his working time, he produces surplus-value. From this point of view, the development of the productive forces appears primarily as a condition for the existence of surplus-value and only then as a factor in its multiplication.

We have described the characteristics of bourgeois political economy^y and have compared it with the fundamental theses of Marx's theories of value and surplus-value. We will now turn our attention to *The Poverty of Philosophy* and *Wage-Labour and Capital* to ascertain which of these theses can already be found in these books.

Careful study of *The Poverty of Philosophy* reveals that Marx already at this time had fully identified the position of the theory of surplus-value in the political economy of bourgeois society: "Ricardo's theory of value is the scientific interpretation of actual economic life ..." [29] Generally speaking, Marx still based his views here on Ricardo's theory of value. From this standpoint, he vigorously opposed Proudhon and his predecessors in *The Poverty of Philosophy*.

In *The Poverty of Philosophy*, Marx quotes many lines from Ricardo's *Principles* which summarize Ricardo's theory of value and he does this without any critical comment. All the basic definitions of value listed by Marx correspond to the definitions given by Ricardo. Thus Marx says "...that what determines value is not the time taken to produce a thing but the *minimum* time it could possibly be produced in ..." [30]. Value is characterized here as the product of the labour necessary. But this definition of value can also be found in one of the quotations from Ricardo used by Marx: "In making labour the foundation of the value of commodities and the comparative quantity of labour which is necessary to their production, the rule which determines the respective quantities of goods which shall be given in exchange for each other ..." [31] In *The Poverty of Philosophy*, Marx also speaks of the loss of value as a result of technical progress yet even here he stresses that "This fact was already pointed out by Ricardo ..." [32]

The Poverty of Philosophy still lacks the fundamental definition of value which distinguishes Marx's theory of labour-value from Ricardo's labour-value theory - the definition of value by the expenditure of that socially necessary labour whose social nature is only proved by the fact that it is sold in the process of exchange. In other words, the concept of abstract labour as labour which creates value is still missing in *The Poverty of Philosophy*.

Just as he subscribed to the basic viewpoint of Ricardo's theory of value, Marx also accepted the latter's theory of money. In *The Poverty of Philosophy*, Marx's thinking is still based on the quantity theory of money which regards money solely as a means of circulation. In a letter to Engels of 25th February 1859, Marx himself refers to this. [33] In *The Poverty of Philosophy*, he still wrote "that precisely gold and silver, as money, are of all commodities the only ones *not* determined by their cost of production; and this is so true that in circulation they can be replaced by paper." [34] Later, in his *Contribution to the Critique of Political Economy*, he makes a detailed criticism of the quantity theory of money.

However, it must be noted that already in *The Poverty of Philosophy* Marx had raised the question of the necessity of money in a mode of production which is based on individual exchange of labour-products. At the same time, Marx stressed that the problem which concerned Proudhon - why it is precisely gold and silver which perform the functions of money - is "a secondary question, which is explained not by the chain of production relations, but by the specific qualities inherent in gold and silver as substances".[35]

Marx had certainly raised the question of the necessity of money in a commodity economy but did not yet provide an answer to it in *The Poverty of Philosophy* (the theory of value had to be first worked out for this). He only stressed that money follows necessarily from the overall system of the production relations of bourgeois society and that money corresponds to the capitalist mode of production.

Like Ricardo, Marx took as his starting point the fact that, the whole of modern society is based on labour as a commodity, i.e., on wage-labour. He argued here against Proudhon who asserted that labour could have no value. But, in the way that Proudhon looked at the fact, this assertion was utopian in character since it totally avoided the necessity of distinguishing between labour and labour-power. It was rather the case that Proudhon contested the fact of wage-labour and declared this basic fact of capitalist reality to be absurd. This polemic thus referred to the specific character of the modern order of society[36].

When Marx in *The Poverty of Philosophy* criticized the reactionary and utopian position of Proudhon, like Ricardo he considered wage-labour as a fact, without noticing any contradiction of the law of value in the exchange between labour and capital. This is why one cannot at all agree with the assertion of D. L. Rosenberg who writes that "The theory of surplus-value was not yet formulated in 'The Poverty of Philosophy'. However, its foundation was already laid with the new concept of 'labour as a commodity'. It is true that Marx still speaks of the 'value of labour' but he had already discovered the particular quality of this specific commodity : namely, that it produces value which is greater than its intrinsic value. Furthermore, Marx showed that the capitalist appropriates this surplus in the form of profit without violating the law of value."[37]

In the light of all that which has now been said, there can be scarcely any question of a new concept of labour as a commodity' in *The Poverty of Philosophy*. As regards the circumstance that 'labour as a commodity' produces a value which is greater than its intrinsic value, this had already been perceived by Smith and Ricardo. Marx wrote that Smith had "recognized the true origin of surplus value".[38]

But neither Smith nor Ricardo were able to show that the surplus-value produced by 'labour as a commodity' and appropriated in the shape of profit by the capitalist is produced and appropriated in accordance with the law of value. Indeed, at first sight, the

surplus of value contradicts the law of value but in reality it is in agreement with the exchange of equivalents. Neither in *The Poverty of Philosophy* nor in *Wage-Labour and Capital* did Marx provide evidence of this either although in the latter book he was on the point of solving the problem of the 'exchange between wage-labour and capital on the basis of the law of value'.

In *Wage-Labour and Capital*, Marx concentrated his attention on an analysis of 'labour as a commodity' and the relations between capital and wage-labour. He criticizes the bourgeois political economy which regards capital not as a social relation but as accumulated labour, as a specific quantity of raw materials, instruments of labour and means of subsistence. Marx stresses that capital is a production-relation of bourgeois society. A certain sum of commodities only becomes capital when exchanged for direct, living labour. Through this exchange, this sum maintains and increases itself as a power which belongs to one part of society.

"The existence of a class which possesses nothing but the ability to work is a necessary presupposition of capital." As a result of the exchange between capital and wage-labour, the capitalist acquires labour, "... the creative force ... by which the worker ... also gives to the accumulative labour a greater value than it previously possessed." [39]

We can conclude here that Marx - for the time being still in the terminology of bourgeois political economy - considers that the most important characteristic of labour-power as a commodity is its use-value, which consists in the ability of the worker to produce a value which is greater than the value of his labour-power. Marx is very close at this point to solving the problem of exchange between wage-labour and capital. But the actual solution is still missing and again we cannot share D. I. Rosenberg's view when he writes that "the essentials of the theory of surplus-value" can be found in *Wage-Labour and Capital*. "It is shown here that it is precisely on the basis of the law of value and not at all as a consequence of its violation that ... the profit of capital (surplus-value) is achieved." [40] Marx still had to do all this and, to be able to do it, he had to elaborate, above all, his theory of value: he had to identify the two-fold character of commodities, including labour-power as a commodity, and the two-fold character of commodity-producing labour.

The 1840's are an important stage in the development of Marx's theory of economics. In an assessment of the results arrived at by the classical bourgeois economists in the determination of the laws of bourgeois society, Marx wrote that "Classical Political Economy nearly touches the true relation of things, without, however, consciously formulating it. This it cannot do so long as it sticks in its bourgeois skin." [41] It was left to Marx to make the conscious formulation of the "true relation of things". For this Marx and Engels had to elaborate, above all, the dialectical and materialist conception of history.

In his works of the 1840's, Marx worked out the necessary conditions and also individual elements of his future theories of value and surplus-value which had to be extended and taken further before they could form a coherent theory of economics. But the leap from the bourgeois to the Marxist approach to the exchange between labour and capital which was to characterize the revolutionary transformation of political economy was not made here. In his studies at the end of the 1840's, Marx was approaching this point and was so close to it that Engels considered that *The Poverty of Philosophy* and *Wage-Labour and Capital* indicate this.

"That on the other hand Marx had known very well already at that time, ... not only whence but also *how* 'the surplus-value of the capitalist' came into existence is proved by his *Poverty of Philosophy*, 1847, and by his lectures on wage-labour and capital."^[42] Despite this, Marx still needed ten years (1847-1857) before he actually made this leap and was able to revolutionize political economy. Later, Marx himself said of *The Poverty of Philosophy* "that it contains the germs of the theories developed in 'Capital' after 20 years' work "^[43].

We have attempted to give a serious answer to the question raised at the beginning of the chapter - what was the theoretical luggage with which Marx arrived in London in August 1849? This answer also indicates why an examination of the subject-matter had to start from scratch. In the *Preface to A Contribution to the Critique of Political Economy*, Marx wrote that "The enormous amount of material relating to the history of political economy assembled in the British Museum, the fact that London is a convenient vantage point for the observation of bourgeois society, and finally the new stage of development which this society seemed to have entered with the discovery of gold in California and Australia, induced me to start again from the very beginning and to work carefully through the new material."^[44] These remarks require some explanation.

The investigation of the history of political economy always formed a basic part of the economic studies of Marx and was an important means of determining capitalist reality. Engels wrote the following words about this: "Since in the course of history, as in its literary reflection, the evolution proceeds by and large from the simplest to the more complex relations, the historical development of political economy constituted a natural due, which the critique could take as a point of departure ..."^[45]

In Paris, between 1844 and 1845, Marx studied bourgeois political economy and took excerpts from the works of eight bourgeois economists on which he wrote critical notes.^[46] Between 1845 and 1847, he carried on this work in Brussels and Manchester and extended considerably the range of the sources he used for his studies.^[47]

In 1849, Marx came to London where he had the opportunity to work in the library of the British Museum and to make a systematic study of the history of political economy in general and of English political economy in particular. English classical political

economy (William Petty, Adam -Smith, David Ricardo) was the ultimate in bourgeois political thinking which is also why it became one of the sources of Marxism. It is consequently not astonishing that soon after his arrival in London Marx began an extremely thorough study of the history of political economy.

The period in London was also fruitful for- the development of Marx's theory of economics because London at that time was the uncontested centre of the capitalist world. At that period, the fate of capitalism was decided in England. "If, therefore, the crises first produce revolutions on the Continent, the foundation for these is, nevertheless, always laid in England ...", Marx wrote in 1850. "On the other hand, the degree to which the Continental revolutions react on England is at the same time the thermometer on which is indicated how far these revolutions really call in question the bourgeois conditions of life, or how far they only hit their political formations."[48]

The need to continue and extend the investigations of economic matters was also dictated by the struggle which Marx and Engels waged for the foundation of a revolutionary theory of the working class and for the foundation of scientific socialism. The defeat of the revolution of 1848/49 led to the banning of the *Neue Rheinische Zeitung*, the only newspaper which at that time represented the standpoint of the working class. The last edition, printed in red, was published on 19th May 1849. Its editors, addressing the workers of Cologne, said of themselves: "Their last word will always and everywhere be: The Emancipation of the Working Class ".[49]

Following his arrival in London, Marx's first efforts were devoted to establishing a new publication as a continuation of the *Neue Rheinische Zeitung*. This publication was the *Neue Rheinische Zeitung. Politisch-ökonomische Revue*. This journal was edited in London and printed in Hamburg. In the six issues which appeared between March and November 1850, Marx carried out the task which he had formulated in the 'Announcement' - "... to explain the period of the revolution through which we have passed, the character of the parties involved in this and the social relations which occasion the existence and the struggle of these parties". Marx considered that the particular advantage of a journal as compared with a newspaper was that it permitted "a detailed and scientific examination of the *economic* relations which form the foundation of the entire political movement."[50]

This very important remark enables us to conclude that Marx had set himself the task of further developing his theory of economics immediately after moving to London, although the intensive work in this field only began later, in 1850. In his *Preface to A Contribution to the Critique of Political Economy* (January 1859), Marx wrote that "The publication of the *Neue Rheinische Zeitung* in 1848 and 1849 and subsequent events cut short my economic studies; which I could only resume in London in 1850."[51]

In. the *Politisch-ökonomischeRevue*, Marx provided brilliant examples of how the materialist conception of history he had evolved could be applied to the analysis of

concrete historical events. The first issue of the journal, contained the first instalment of his outstanding work "The Class Struggles in France 1848-1850" which, as Engels said, was Marx's first attempt "to demonstrate the inner causal connection in the course of a development which extended over some years, a development as critical, for the whole of Europe, as it was typical; that is, in accordance with the conception of the author, to trace political events back to the effects of what are, in the last resort, economic causes."[52]

In this work and also in the three significant international *Revues* that he wrote in association with Engels, Marx set himself the task of explaining the defeat of the revolution of 1848/49. The petty-bourgeois democrats asserted that "the revolution had failed because of the ambitious jealousy of the individual leaders and the antagonistic opinions of the various teachers of the people."[53] Marx and Engels termed this opinion "an extremely vulgar Philistine view" and presented their appreciation of the revolution. In accordance with the principles of the materialist conception of history which they had developed earlier, Marx and Engels showed that revolution is the result of the contradictions between the productive forces and the production relations of bourgeois society. "A revolution such as this is only possible when these two *factors*, the *modern productive forces* and the *bourgeois forms of production* are at variance with each other." The economic crisis is the expression of this contradiction between productive forces and productive relations. From this, it was concluded that "A *new revolution is only possible following a new crisis. But it is just as certain as this is.*"[54]

These conclusions were completely contrary to the views of the petty-bourgeois socialists such as Proudhon who dreamed of bringing about the socialist transformation of society by the introduction of an economic policy directed towards the forcible retardation of capitalist development, i.e. by reformist methods. In contrast to petty-bourgeois socialism which Marx and Engels characterize as utopian and doctrinaire, scientific or revolutionary socialism is "... the *class dictatorship* of the proletariat as the inevitable transit point to the *abolition of class differences generally*, to the abolition of all the production relations on which they rest, to the abolition of all the social relations that correspond to these relations of production, to the revolutionizing of all the ideas that result from these social connections."[55]

Marx and Engels considered the struggle against petty-bourgeois socialism, this 'false brother' of scientific socialism, to be a matter of first-rank importance. Marx's works from the 1840's and *The Poverty of Philosophy* in particular indicate, however, that at first in this struggle he was still obliged to rely on classical bourgeois economics to a significant degree. This circumstance is considered here as one of the major driving forces in the continuation of Marx's works on economics, but of course it was not the only factor in this.

The most important conclusion resulting from the materialist conception of history evolved by Marx and Engels was the realization that the socialist revolution is the,

inevitable consequence of the development of the economic contradictions of capitalist society.

From this it also followed that Marx had to direct most of his attention to investigating the economic law of motion governing bourgeois society. Bourgeois political economy had not discovered this law. It could not even get on the track of this law since it did not consider the bourgeois mode of production in its movement and development but regarded it as something fixed, eternally true and unchangeable. But in the 1840's Marx had not yet discovered this law either. All these factors called for a thorough investigation of the capitalist mode of production. In addition to this, Marx was also obliged to devote serious thought to some new phenomena in the economics of capitalism.

In their analysis of the reasons for the defeat of the revolution of 1848/49, Marx and Engels directed attention to the discovery of gold in California in 1848. "It can be predicted already, after scarcely eighteen months," wrote Marx and Engels in February 1850, "that this discovery will have much more splendid results than even the discovery of America".^[56] Marx and Engels meant the upswing in the development of the productive forces which was associated necessarily with the discovery of new gold deposits.

In November 1850 they wrote that "The discovery of the Californian gold-mines set the crown on American prosperity. At an earlier date than any other European journal ... we have already drawn attention to the importance of this discovery and its unavoidable consequences for the whole of world trade. This importance does not lie in the increase in gold through the newly-discovered mines although even this increase in the means of exchange will not at all be without a favourable influence on general trade. It lies in the spur which the mineral wealth of California gave to capital on the world market, in the activity which characterized the entire West Coast of America and the East Coast of Asia, in the new market which was created in California and in all countries affected by the influence of California".^[57]

Thus at the beginning of the 1850's intensive studies in the sphere of political economics had become a sheer necessity for Marx. His stay in London offered very favourable conditions for this and he immediately began to use them.

Footnotes

[1] K. Marx, *The Poverty of Philosophy*, Foreign Languages Publishing House, Moscow 1956, p116/117.

[2] *Ibid*, p54.

[3] K. Marx/F. Engels, Historisch-kritische Gesamtausgabe (MEGA), Erste Abteilung. Ed. 3, Marx-Engels-Verlag, Berlin 1932, p. 502, 494.

[4] F. Engels, Outlines of a Critique of Political Economy, in: K. Marx, Economic and Philosophic Manuscripts of 1844, Appendix, Moscow 1959, p. 187

[5] Manuscript of 1861/63 Heft I, p.12.

[6] K. Marx, The Poverty of Philosophy, 1.c., p. 48.

[7] Cf. K. Marx, letter to Engels of 2 April 1851, in: K. Marx/F. Engels, Werke, Bd. 27, Dietz Verlag, Berlin 1963, p. 228.

[8] Cf. K. Marx, The Poverty of Philosophy, 1.c., p. 90, 113/114.

[9] Ibid., p; 86.

[10] Cf. K. Marx, Theories of Surplus-Value, Part III, Progress Publishers, Moscow 1971, p. 500.

[11] K. Marx, A Contribution to the Critique of Political Economy, Progress Publishers, Moscow 1970, p. 54.

[12] Ibid., p. 52.

[13] K. Marx, Theories of Surplus-Value, Part III, 1.c., p. 332.

[14] K. Marx, Theorien über den Mehrwert, 2. Teil, Dietz Verlag, Berlin 1962, p. 158.

[15] K. Marx, Theories of Surplus-Value, Part III, 1.c., p. 181.

[16] K. Marx, A Contribution to the Critique of Political Economy, 1. c., p. 55.

[17] K. Marx, Theories of Surplus-Value, Part III, 1.c., p. 131.

[18] Ibid., p. 185.

[19] Ibid., p. 138.

[20] Ibid., p. 238/239.

[21] D. Ricardo, On the Principles of Political Economy and Taxation, in: The Works and Correspondence of David Ricardo, Vol. 1, Cambridge, At the University Press 1953, p. 14.

[22] K. Marx, Theorien über den Mehrwert, II. Teil, 1.c., p. 142.

[23] K. Marx, Grundrisse der Kritik der politischen Ökonomie, Dietz Verlag, Berlin 1953, p. 170.

[24] In Chapter 13 of the first volume of Capital. Marx investigates the circumstances which produce such irrational forms of bourgeois society as "labour as a commodity", "value of labour", etc.

[25] K. Marx, Theorien über den Mehrwert, I. Teil, Dietz Verlag, Berlin 1956, p. 55.

[26] Ibid., p. 54.

[27] Marx, Capital, Vol. I, Foreign Languages Publishing House, Moscow 1959, p. 199.

[28] Ibid., p. 214.

[29] K. Marx, The Poverty of Philosophy, l.c., p. 54.

[30] Ibid., p. 73.

[31] Ibid., p. 52.

[32] Ibid., p. 72.

[33] Cf. K. Marx, letter to Engels of 25 February 1859, in: K. Marx/F. Engels, Werke, Bd. 29, p. 404.

[34] K. Marx, The Poverty of Philosophy, l.c., p. 97.

[35] Ibid., p. 90.

[36] Cf. ibid., p. 64.

[37] D. I. Rosenberg. Die Entwicklung der ökonomischen Lehre von Marx and Engels in den vierziger Jahren des 19. Jahrhunderts, Dietz Verlag, Berlin 1958, p. 304.

[38] K. Marx, Theorien über den Mehrwert, 1. Teil, l.c., p. 45.

[39] K. Marx, Wage-Labour and Capital, Martin Lawrence Ltd., London 1932, p. 31.

[40] D. I. Rosenberg, l.c., p. 328.

[41] K. Marx, Capital, Vol. I, l.c., p. 542.

[42] Engels, Foreword to Vol. 2 of Capital, in K. Marx/F. Engels, Werke, Bd. 24, Dietz Verlag, Berlin 1963, p. 15

[43] K. Marx, on "Misère de la philosophie", in: K. Marx/F. Engels, Werke, Bd. 19, Berlin 1962, p. 229.

[44] K. Marx. A Contribution to the Critique of Political Economy, l.c., p. 31.

[45] F. Engels, *ibid.*, p. 225.

[46] Cf. K. Marx/F. Engels, Historisch-kritische Gesamtausgabe (MEGA), Erste Abteilung, Bd. 3,

p. 409 ff. (These excerpts and Marx's critical notes are discussed by D. I. Rosenberg in his book "Die Entwicklung der Ökonomischen Lehre von Marx und Engels in den vierziger Jahren des 19. Jaluitunderts` , Dietz Verlag, Berlin 1958.)

[47] Cf. K. Marx/F. Engels, Historisch-kritische Gesamtausgabe (MEGA), Erste Abteilung, Bd. 6, Marx-Engels-Verlag, Berlin 1932, p. 507 ff.

[48] K. Marx, The Class Struggles in France 1848-50, Selected Works Vol_ 2. Lawrence & Wishart p. 298/299.

[49] Marx/F. Engels, article from the Neue Rheinische Zeitung. *ibid.*, p. 37.

[50] K. Marx/F. Engels, Announcement of the " Neue Rheinische Zeitung. Politisch-ökonomische Revue", in: K. Marx/F. Engels, Werke, Bd. 7. p. 5.

[51] K. Marx, A Contribution to the Critique of Political Economy, Preface, l.c., p. 22.

[52] K. Marx, Selected Works, Vol. 2, l.c., p. 170.

[53] K. Marx/F. Engels, Revue, May to October 1850, in: K. Marx/F. Engels, Werke, Bd. 7, p. 400.

[54] *Ibid.*, p.440.

[55] K. Marx, Selected Works, Vol. 2, Lawrence & Wishart, London 1945, p. 289.

[56] K. Marx/E. Engels, Revue, Jan./Feb. 1850, in: K. Marx/F. Engels, Werke, Bd. 7, p. 220.

[57] K. Marx/F. Engels, Revue, Mai bis Oktober 1850, l.c., p. 435.

Chapter 2

Marx's economic studies. Investigation of crises. The Notebooks. "... one is received not-with compliments but with economic categories". First results of the economic investigations. "Basically, there has been no progress in this science since A. Smith and D. Ricardo". The presuppositions for revolutionary transformation in political economy. The "Grundrisse der Kritik der politischen Ökonomie". Critique of Proudhonism. "Communism must rid itself above all of this 'false brother'".

A Mont Blanc of facts

In July 1850 or thereabouts, Marx made a start with new and intensive studies of political economy and the political history of the last ten years. For this purpose, he utilized not only the theoretical works of the economists but also specialist literature dealing with the history of prices, the banking system and the economic crises in England and on the Continent of Europe. I "want to use my time as productively as possible[1], Marx wrote to Engels at the beginning of December 1850. Already by 7th January 1851 he sent Engels a letter which contained a comprehensive critique of Ricardo's theory of land-rent.[2] This letter is evidence that Marx's hard work in the field of economic theory was bringing its first results.

Marx's studies were exceptionally wide-ranging and covered all the spheres of the science of economics, from economic theory and history to the concrete economy and economic policy of various capitalist countries. He consequently studied all the aspects of the capitalist mode of production and its superstructure. And when Marx, as he himself admitted, became aware of his lack of factual knowledge in 1842/43, his economic studies during the 1850's resulted in his becoming an expert in questions of economic theory and practice in the true sense of the word. This was stimulated by his long association (1851 to 1862) with the "New York Tribune", a radical American newspaper. "Since a considerable part of my contributions consisted of articles dealing with important economic events in Britain and on the Continent", remarked Marx, "I was compelled to become conversant with practical details which, strictly speaking, lie outside the sphere of political economy." [3] It is enough just to list a few of the headlines of articles by Marx for the "New York Tribune" and other newspapers to see the range of the economic problems with which Marx concerned himself: pauperism and Free Trade-the impending slump, Disraeli's Budget, trade prosperity, the bleak financial situation, the decrees of the Bank of England, finances, the clergy and the fight for the ten-hour day, new financial trickery or 'Gladstone and the Pennies', the Budget, pounds, shillings, pennies: or class budgets and who profits from them, conversion of

the British National Debt, tax on newspaper supplements, the East India Company, its history and the results of its activities. Irish Tenant Right, the working-class movement in England, the fight for the Ten-Hour Bill, the financial failure of the Government, etc.

In these articles and in the letters of the 1850's Marx paid great attention to the problem of slumps. This was not by chance since by 1858/59 Marx and Engels had identified a direct link between the occurrence of slumps and the emergence of revolutionary situations. This also explains the enormous interest they showed in the analysis of economic cycles. "... apres les derniers evenements je suis plus convaincu que jamais", wrote Marx on 27th December 1851, "qu'il n'y aura pas de revolution serieuse sans crise commerciale".[4] ("... from the recent events I am more convinced than ever before that there can be no serious revolution without a slump.")

As early as 1855 Marx predicted the approach of a new economic crisis (as is well-known, this was the slump of 1857). The untiring, day-in, day-out analysis of the state of the capitalist economy bore fruit. "As regards the various economic questions which you submitted to me", Marx wrote to Lassalle on 23rd January 1855, "up till now, to my knowledge, there exist neither official nor scientific surveys ... It will now certainly rain with works on these questions. In England, the time of the slump is simultaneously that of theoretical investigation."[5]

And in actual fact a serious slump occurred in the autumn of 1857. "The American slump-predicted by us in the November Revue of 1850 as breaking out in New York-is beautiful"[6] wrote Marx. "Though myself in such financial distress, I have not felt so cosy since 1849 as in this outbreak."[7] From the middle of October onwards, Marx worked "as though crazy", as he put it, on the completion of his economic studies. At the same time, he had collected such a wealth of material on the problem of slumps that, in addition to a whole series of articles for the "New York Tribune", he intended to write a special work on this subject.[8] Apart from the interest which the slump as such attracted, however, it also spurred on Marx above all in the rapid elaboration of his theory of economics.

It is now appropriate to give a characterization of Marx's theoretical studies during the 1850's, the studies which are of most interest to us here.

Mention must first be made here of the numerous "Notebooks" in which Marx wrote down excerpts from the works of bourgeois economists. From August 1850 to June 1853, Marx filled twenty-four of these notebooks which he himself numbered from I to XXIV (apart from these 24 notebooks there is also a series of notebooks without numbers). From this period and later, there are also a few notebooks in which Marx collected quotations on certain subjects, to some of which he added a commentary. This was the first processing, as it were, of the material he had collected. These include the notebooks with the headings "Notes" (containing a collection of quotations on land-rent problems), "Money, Credit, Crises", "Three Books on Crises", (" I have started three big

books-England, Germany, France"[9], Marx wrote to Engels on 18th December 1857), the "Quotation Book" (which contains a collection of quotations for the chapter on "Capital" in the 'Outlines' (Grundrisse) for A Contribution to the Critique of Political Economy), "Completion of the system of monetary relations" and some others.[10]

The "Notebooks" form an important part of the foundation of facts on which Marx then constructed his theory of economics. The history of bourgeois political economy is the reflection of the history of capitalism and was consequently for Marx one of the principal sources for the all-round investigation of the capitalist mode of production.

How did Marx's theoretical work progress during this period? Wilhelm Pieper, the German philologist and journalist and a member of the Communist League wrote the following to Engels in January 1851: "Marx leads a very withdrawn life, his only friends are John Stuart Mill and Loyd (this refers to the works of these bourgeois economists-V. V.) and when one comes to him, one is received not with compliments but with economic categories." [11] By January 1851, Marx had already achieved the first results in his economic studies. Two of his letters to Engels testify to this.

In the letter of 7th January, Marx states that the task is "to square the law of rent with the progress of the fertility of agriculture in general; this is after all the only way to explain the historical facts and on the other hand to scrap Malthus's theory of the deterioration not merely of the 'hands' but also of the land". [12] The theory of differential rent, as developed by Ricardo, was based on the hypothesis that soil fertility decreased. "This is where Malthus found the real ground for his theory of population ..." [13] In his letter, Marx shows that this condition was not essential for Ricardo's theory of rent and that land-rent can rise when agriculture is improved although the price of the product of the land falls.

In the letter of 3rd February, Marx criticizes Ricardo's theory of circulation which was based on the quantity theory of money. According to this theory, the amount of money in circulation is the regulator of commodity prices and thus the regulator of the trade balance and of the rate of exchange. Marx indicates that the increase and decrease of the amount of money in circulation are associated neither with the trade balance nor with the rate of exchange. From this Marx draws the important conclusion that "the course of slumps, even though the *system of credit* is very much a condition for these, is only associated with the *currency* to the extent that foolish interference by the state authority in the regulating of these can make the existing crisis worse, as in 1847". [14] In other words, the circulation of money is "*last affected*" [15] by the slump. In addition to their theoretical significance, these questions were also of topical importance in the struggle against Proudhonism which preached a reform of the circulation of money as a cure-all for economic crises.

Both letters show that at this point of time Marx had not yet worked out his theory of rent and the theory of money and circulation. What is interesting, however, is that Marx

had begun the critique of bourgeois political economy in the theory of rent and in the theory of money circulation. This circumstance should not at all be regarded as fortuitous; on the contrary it was fully in keeping with the method of research used by Marx. It can be seen here how Marx approached the investigation of capitalist reality.

It is understandable that the categories of money and land-rent, corresponding to the more concrete production relations of capitalism, were the first object of his analysis. Marx subsequently proceeded to the 'deeper' categories of the capitalist mode of production - to value or surplus-value. He took these as the point of departure and followed them in their development to the 'surface' categories - money, profit, average profit, market value, price of production and land-rent. At the beginning of the 1850's, however, Marx was of the opinion that he had already completed most of the work of revolutionizing economy. "I have got to the stage", he wrote to Engels on 2nd April 1851, "where I can be finished with the whole economic crap within five weeks.^[16] When that is done, I will work out the economy at home and plunge into another science at the Museum. It is beginning to bore me. Basically, there has been no progress in this science since A. Smith and D. Ricardo, even though much has been done in individual and often super-subtle investigations."^[17] "I am glad you are at last finished with the economy", answered Engels, "It really did take too much time and as long as you have a book in front of you which you think important and haven't read you

don't get round to writing."^[18] But Marx still had to travel a hard and harrowing road before he was able to write his immortal "Capital".

What is important for us here is how accurately Marx assesses the position of Smith and Ricardo in the history of political economy. It must be said, however, that at this period Marx had not yet completely freed himself of a concept of classical bourgeois economics which in a certain sense may be termed as not fully objective.

In his correspondence for the "New York Daily Tribune", Marx wrote on 4th March 1853 that "First, therefore, the population of a country is driven into poverty and when no more can be sweated out of it, when they are a burden on the country, they are driven away and the sum of the net takings is reckoned out! Such is the doctrine laid down by Ricardo in his celebrated work, the Principles of Political Economy. The annual profits of a capitalist amounting to £ 2;000, what does it matter to him whether he employs 100 men or 1,000 men ? 'Is not', says Ricardo, the real income of a nation similar?' The net real income .of a nation, rents and profits, remaining the same, it is no subject of consideration whether it is derived from ten millions of people or from twelve millions."^[19] Immediately following this, Marx quotes a place in Sismondi's "Nouveaux principes .d'economie politique" in which Sismondi likewise criticizes this thesis by Ricardo. Marx then indeed declares that he does not share the view of Sismondi who attempted to conserve outdated production relations, but he also polemicizes here against Ricardo. In 1862, when working on the "Theories of Surplus-

Value", Marx quotes the same place from Ricardo but now as an example of the "scientific impartiality of Ricardo"[20].

The reason why so much space has been devoted to this question here is that the relationship to classical bourgeois economy is also in a certain sense a criterion for the maturity of the economic views of Marx himself. We have seen that Marx at the end of the 1840's had already arrived at an overall correct estimate of bourgeois political economy. In 1852, Marx designated Ricardo as the most classic representative (interpreter) of the bourgeoisie and the most stoical adversary of the, proletariat.[21] But the most profound and universal analysis of the opinions of Ricardo is to be found in the "Theories of Surplus-Value": "Thus the ruthlessness of Ricardo was not only *scientifically honest* but also *scientifically necessary* for his standpoint. But for this reason it is also of no concern to- him at all whether the continued development of the productive forces kills landed property or workers. When this progress devalues the capital of the industrial bourgeoisie, this is just as welcome to him ... When the opinion of Ricardo largely coincides with the interests of the *industrial bourgeoisie*, this is so only *because* and *to the extent* that their interests coincide with those of the production or the productive development of human labour. When it is contrary to these, he is just as *ruthless* against the bourgeoisie as he is otherwise against the proletariat and the aristocracy." [22]

Although in April 1851 Marx assumed he could complete his studies of bourgeois political economy within five weeks, this work continued. "I am usually at the British Museum from 9 o'clock in the morning until 7 o'clock in the evening", Marx wrote to Weydemeyer on 27th June 1851. "The material which I am working on is so damned involved that despite all my efforts it will not be completed before six or eight weeks . Despite all this and everything the thing will soon be finished." [23] "... now when I am fully occupied with the economy ..." [24] is how Marx refers to this on 14th August. In November 1851, Marx and Engels discuss their plan of publishing "Economy". [25] In May 1852 Engels informs Marx about the negotiations which are "still" being held on the publication of this work on economics. [26] In December 1852 Marx's last hopes of finding a publisher in Germany for his "Economy" came to nothing. [27] And, since the economic crisis was slow in developing, Marx also slowed down his economic studies somewhat. Engels nevertheless continued to put pressure on Marx. "You should finish your Economy", he wrote to him in March 1853. [28] This was the wish of Marx, too. He wrote the following lines to Adolf Class, a member of the Communist League: "I still hoped ... to be one day in such a position that I could spend a few months by myself and complete my Economy'. It seems I will not manage to do this." [29] It was only in October 1857 that Marx was able to begin the formulation of his political economy although he had already made two attempts-in the summer of 1857-to start on the description of his theory of economics but on both occasions had had to break off the work.

. In July 1857, Marx wrote the uncompleted sketch about the work of the vulgar economists, Bastiat and Carey. Since Marx chose as a headline "Harmonies Economiques", the title of the book by Bastiat mentioned in the sketch, it can be concluded that Marx had intended to write a comprehensive review of this book but had then decided it was not worth detailed consideration and had consequently abandoned his original intention.

This sketch which Marx has left us goes far beyond the scope of a review. In the "Avant-propos" at the start of the sketch, Marx briefly sets out the state of bourgeois political economy at that time: For the first time, he gives an accurate indication of the limits of classical bourgeois economy which began at the end of the 17th century with the works of Petty and Boisguillebert and terminated in the first third of the 19th century with the books by Ricardo and Sismondi. As demonstrated by Marx, the later bourgeois economists were either their imitators or reactionary critics of the classical authors. The books by the French economist Bastiat and the American Carey are examples of this reactionary criticism of the standard authors of political economy, especially of Ricardo. Both consider it necessary "to demonstrate the harmony of the relations of production where the classical economists naively described their antagonisms."[\[30\]](#)

In masterly fashion, Marx analyses the economic conditions which produced the views held by these two economists and notes that "The national environments, which are certainly different, even contradictory, and constitute the backgrounds against which these two write, cause them nevertheless to undertake the same endeavours."[\[31\]](#) Carey compared American economic relations with the English ones and asserted that bourgeois society did not exist in its pure-form in England and that its development was hampered and affected by the relations of the feudal period, reflected principally in the intervention on the part of the State in the economic life of the country. He claimed that from this resulted the antagonisms which split English society and the disharmonies which England brought into the world market. In America, on the other hand, where there were no feudal remainders, Carey considered that the production relations developed in complete harmony.

Here it was a question of the general character of the economic laws of capitalism. Marx refuted Carey and showed, firstly; that American capitalism, apart from certain developmental features, in its essentials differed in nothing from English capitalism.

Secondly, Marx showed that the disharmonies of the world market of which Carey spoke are merely the most advanced expression of the inner contradictions of capitalist society in one country or another.

In contrast to Carey, Bastiat explained the antagonism of French bourgeois society by the backward character of economic relations in France and considered that England represented the ideal example of an harmonious capitalist development. In this connection, Bastiat, who-as Marx noted - "just imagines harmony"[\[32\]](#), is on a lower

level than Carey. However, in Marx's opinion, both were ahistorical in the same way when they considered capitalist production as the eternal and natural ideal of an harmonious development of society.

Marx opposed the views of these two vulgar economists with his doctrine of the economic formation of society, according to which the more highly industrialized capitalist country only shows the image of its own future to the less advanced state. This is why Marx's economic theory, although largely elaborated on the basis of facts from the economic development of England, really does possess a general validity.

The other fragment-the famous Introduction to "A Contribution to the Critique of Political Economy"-was written by Marx at the end of August and the beginning of September 1857. He interrupted -his work on the Introduction in the middle of September.

Marx later wrote these words: "A general introduction, which I had drafted, is omitted, since on further consideration it seems to me confusing to anticipate results which still have to be substantiated, and the reader who really wishes to follow me will have to decide to advance from the particular to the general."^[33] Although this 'Introduction' is in the nature of a draft and was never completed; it is nevertheless enormously important since it is here that Marx sets out in more detail than anywhere else his ideas on the subject and the method of the theory of economics which he had founded.

In his observations, Marx takes as his starting point the basic theses of the materialist conception of history, especially the thesis that social production is given primacy. Unlike the bourgeois economists who consider bourgeois production to be eternal and reason about production in general, Marx designates socially determined production, modern bourgeois production, as the subject of his theoretical analysis.

Marx carries out a critical investigation of the division of the subject of political economy customary in bourgeois literature into production, distribution, exchange and consumption and substantiates in detail the thesis of the primacy of production. He demonstrates that social production is the subject of economic research, and shows that production, distribution, exchange and consumption are parts of a single whole and that one acts on the other, as is the case in every organic whole.

Marx succeeded in explaining an important though paradoxical particularity of classical political economy. The classical economists subscribed to the labour-value theory, - were ' theoreticians of production' and nevertheless declared that distribution was the only subject of political economy. As Marx showed, this was because they considered production as eternal and unchangeable but considered the forms of distribution as being separate from the forms of production and thus could not take account of them in their change and development. Secondly, in their endeavour to identify the structure of social production, the classical economists instinctively felt that the distribution of the

instruments of production and of the members of society among the various spheres of production is an inner moment of production and determines the structure of the latter. It was precisely for this reason that Ricardo declared that it was not production but distribution which was the real subject of political economy. The analysis of the dialectical unity of all elements of social production enabled Marx to overcome the narrowness of bourgeois political economy in understanding the subject that it investigated and to pass from the forms of distribution, which are only an expression of the forms of production, to analysis of the relations of production as the actual subject of political economy.

The section in the 'Introduction' about the method of political economy is of great importance. Here, for the first- time, Marx characterizes the scientific method of progressing from the abstract to the concrete; at the same time, he criticizes the idealist Hegelian understanding of this method. The dialectical materialist interpretation of the method of progressing from the abstract to the concrete means that the concrete, which forms the starting point for analysis, appears at the end of the investigation as the unity of diverse aspects, as the synthesis of many definitions. Scientific abstraction is here inseparably associated with the concrete, with reality, as its presupposition and -the course of abstract thinking must correspond to the actual historical process.

The 'Introduction' shows that Marx had already worked out the methodological fundamentals of his theory of economics in detail by the autumn of 1857.

At the end of 1857, under the direct influence of the slump which had occurred in the meantime, Marx finally began to sum up the results of his research work of the 1850's. On the 21st December 1857, he wrote to Lassalle that "The present commercial crisis has stimulated me to give serious attention now to the formulation of my principles of economy ..."[34]

Engels, who provided Marx with regular information on the course of the crisis, wrote that "In this crisis, over-production has been so general as never before ..."[35] Modern investigators of the history of crises fully confirm these remarks by Engels.

Marx made haste in every way imaginable with the elaboration of his theory of economics. "I am working like mad all through the night on the summing up of my Economic Studies so that I can at least have the outlines clear before the deluge." [36] This was on 8th December, while on the 18th of the same month he wrote "I am doing a colossal amount of work, mostly until four in the morning." [37]

The crisis of 1857 did not lead to the revolutionary situation awaited with such great impatience. Subsequently, when Marx worked out his theory of economic crises, he noted that one of the chief features of crises caused by over-production in capitalism consists in their periodicity which is based on the renewal of fixed capital. "There are no permanent crises", commented Marx.[38] He showed that the economic crisis is the real

concentration and the violent settlement of all the contradictions of bourgeois economics and, at the same time, a mighty accelerator of the growth of the productive forces.[39] Marx stressed that "Hence crises arise, which simultaneously drive it [capitalist production] onward and beyond [its own limits] and force it to put on seven-league boots, in order to reach a development of the productive forces ... which could only be achieved very slowly within its own limits." [40] This expresses the antagonistic nature of capitalist production.

As the expression of the economic contradictions of capitalist society, the economic crisis as such does not yet indicate therefore that the capitalist mode of production has exhausted all its possibilities of development.

In January 1859, in his Preface to "A Contribution to the Critique of Political Economy", Marx drew the important conclusion that "No social order is ever destroyed before all the productive forces for which it is sufficient have been developed ..." [41] In our opinion, the concrete study of the crisis of 1857 carried out by Marx in 1857/1858 was of major significance in enabling him to formulate this thesis. (Marx had even planned to write a special work, together with Engels, on this crisis. [42]) But the most important thing was that it was precisely during these years that Marx discovered the law of motion of bourgeois society and formulated his theory of surplus-value.

For the time being, however, Marx regarded all this in a somewhat different way. "A new revolution is only possible following a new crisis. But it is just as certain as this is." [43] Marx correctly stresses the objective character of the revolution but here still follows too direct an approach to the relationship between revolution and the cyclical development of the capitalist mode of production.

But be this as it may, it is precisely to the crisis of 1857 that we owe a work of genius by Marx, the "Grundrisse der Kritik der politischen Ökonomie" (Outlines of the Critique of Political Economy). Whilst working on this, Marx made many outstanding discoveries.

Marx wrote the "Grundrisse", which amounted to no less than 50 printed sheets, within an exceptionally short time, between the middle of October 1857 and May 1858. In this, and for the first time in detail, Marx formulated his theory of value and surplus-value and made his second great discovery (after the elaboration of the materialist concept of history). The "Grundrisse" takes us into Marx's 'creative laboratory' and enables us to follow step by step the process in which Marx worked out his economic theory.

At a later date, Marx set out his theory of value and surplus-value in the first volume of "Capital". But, as emphasized by Marx himself-and it was precisely this which was important-,"Of course the method of presentation must differ in form from that of inquiry. The latter has to appropriate the material in detail, to analyse its different forms of development, to trace out their inner connexion. Only after this work is done, can the

actual movement be adequately described."^[44] The method of inquiry of which Marx speaks is retained in the "Grundrisse". When we study this, we can be present, as it were, at the birth of a new theory.

Marx began work on his theory with a critique of the petty-bourgeois economic views of Proudhon. There was good reason for this. Marx considered that the critique of Proudhonism, the definition of this pseudo-socialist 'false brother', was an important task of scientific socialism. Later, Marx wrote that it was necessary, "in order to prepare the way for critical and materialist socialism, which sets out to make the real, historical development of social production understandable, to make an abrupt break with that ideology in economy whose last embodiment Proudhon unwittingly was."^[45] The revolutionary situation which Marx and Engels had expected in connection with the crisis of 1857 called for complete clarity about the necessity to overthrow the bourgeois order of society by revolutionary means. This is why the thesis of the Proudhonists on the possibility of eliminating the antagonistic contradictions of capitalism by a bank reform had to be theoretically refuted.

Marx had already criticized, in "The Poverty of Philosophy", Proudhon's theory which aimed at the reformation of bourgeois society but on that occasion still had to rely to a significant extent on the economic views of Ricardo. It was now a question of overwhelming Proudhonism from the position of Marx's economic theory, from the standpoint of scientific socialism. It had to be proved that the antagonistic contradictions of capitalist society are "never to be exploded by silent metamorphoses"^[46] and that the attempts of the Proudhonists to maintain bourgeois society and remedy its "faults" implied a scandalous Utopia which disorganized the working class and distracted it from the preparation of the socialist revolution. How important this task was may be judged from Engels's introduction to Marx's "The Civil War in France". In this introduction, Engels makes the Proudhonists directly responsible for the economic mistakes of the Commune. He wrote that the Commune was "the grave of the Proudhon school of Socialism"^[47].

In the "Grundrisse", Marx carried out the task set. In this work he formulated his own theory of value and surplus-value and at the same time inflicted a decisive defeat on Proudhonism.

But the main object of this 'constructive' critique in "Grundrisse" was, of course, classical bourgeois economy since Marx, in his inquiries, always took the best achievements of his predecessors, the bourgeois economists, as his starting point.

Footnotes

[1] K. Marx, letter to Engels of 2 December 1850, in: K. Marx/F. Engels, Werke, Bd. 27, p. 146.

[2] Cf. K. Marx, letter to Engels of 7 January 1851, in: K. Marx/F. Engels, *ibid.*, p157ff

[3] K. Marx, *A Contribution to the Critique of Political Economy*, Preface, 1. c., p. 23.

[4] K. Marx, letter to Freiligrath of 27 December 1851, in: K. Marx/F. Engels, *Werke*, Bd. 2.7,

p. 597.

[5] K. Marx, letter to Lassalle of 23 January 1855, in: K. Marx/F. Engels, *Werke*, Bd. 28, Dietz Verlag, Berlin 1963, p. 612.

[6] K. Marx, letter to Engels of 20 October 1857, in: K. Marx/E. Engels, *Werke*, Bd. 29, p. 1.98.

[7] K. Marx, letter to Engels of 13 November 1857, in: K. Marx/F. Engels, *Werke*, Ed. 29, p. 207.

[8] Cf. K. Marx, letter to Lassalle of 21 December 1857, in: K. Marx/F. Engels, *Werke*, Bd. 29,

p. 548.

[9] K. Marx, letter to Engels of 18 December 1857, in: K. Marx/E. Engels *Werke*, Bd. 29, p. 232.

[10] The headings are translated from the German-the Translator.

[11] W. Pieper, postscript to the letter from Marx. to Engels of 27 January 1851, in: K. Marx,/ F. Engels, *Werke*, Bd. p. 169.

[12] K. Marx, letter to Engels of 7 January 1851, in: Marx/Engels, *Selected Correspondence*, Foreign Languages Publishing House, Moscow 1953, p. 6E.

[13] K. Marx, *ibid.*, p. 60.

[14] K. Marx, letter to Engels of 3 February 1851, in: K.Marx/F. Engels,, *Werke*, Bd. 27, p. 174.

[15] *Ibid*, p. 177.

[16] Marx refers to his Notebooks on the works of bourgeois economists.

[17] K. Marx, letter to Engels of 2 April 1853, in: K.Marx/F. Engels,, *Werke*, Bd. 28. p. 228.

[18] E. Engels, letter to Marx of 3 April 1851, in: K. Marx/F. Engels, Werke, Bd. 27, p. 233 f.

[19] First sentence is re-translated from the German, Otherwise: K. Marx. Forced. Emigration-Kossuth and Mazzini-The Refugee Question-Election Bribery in England-Sir. Cobden. in: Karl Marx and Frederick Engels, Ireland and the Irish Question, Progress Publishers, Moscow 1971, p. 55. •

[20] K. Marx, Theorien uber den Mehrwert, 2. Teil, 1. c.. p. 115.

[21] Cf. K. Marx, letter to Weydemeyer of 5 March 1852, in: K.Marx/F. Engels,, Selected Correspondence, Foreign Languages Publishing House, Moscow 1953, p. 83.

[22] K. Marx, Theorien uber den Mehrwert, 2. Tell; 1. c., p.107.

[23] K. Marx, letter to Weydemeyer of 27 June 1851, in: K. Marx/F. Engels, Werke, Bd. 27, p. 559.

[24] K. Marx. letter to Engels of 14 August 1851, in: K.Marx/F. Engels, Werke, Bd. 21. p. 314.

[25] Cf. K. Marx. letter to F. Engels of 24 November 1851, in: Marx/ E. Engels, Werke, Ed. 27, p. 370; cf. F. Engels, letter to Marx of 27 November 1851, in: K.Marx/F. Engels, Werke, Bd. 27, p. 373 f.

[26] Cf. Engels, letter to Marx of 4 May 1852, in: K.Marx/F. Engels, Werke, Ed, 25. p. 67.

[27] Cf. K. Marx, letter to Class of 7 December 1852, in: K. Marx/F. Engels, Werke, Bd. 28, p. 560.

[28] F. Engels, letter to Marx of 11 March 1853, in, K. Marx/F. Engels, Werke, Bd. 28, p. 226.

[29] K. Marx, letter to Class of 15 September 1853, in: K. Marx/F. Engels, Werke, Bd. 25, p. 592.

[30] K. Marx, Grundrisse der Kritik der politischen Okonomie, c., p. 844.

[31] Ibid.

[32] Ibid., p. 847.

[33] K. Marx, A Contribution to the Critique of Political Economy, l.c., Preface, p. 19.

[34] K. Marx, letter to Lassalle of 2t December 2857, in: K. Marx/F. Engels, Werke, Rd. 29, p. 548.

[35] F. Engels, letter to Marx of If December 1857, in: K.Marx/F. Engels,, Werke, Bd. 29, p. 227.

[36] K. Marx, letter to Engels of 8 December 1857, in: K.Marx/F. Engels,, Werke, Bd. 29. p. 225.

[37] K. Marx, letter to Engels of 18 December 1857, in K. Marx/F. Engels, Werke, Bd. 29. p. 222.

[38] K. Marx. Theorien uber den Mehrwert, 2. Teil, 1. c., p. 493.

[39] Cf. ibid., p. 506.

[40] K. Marx, Theories of Surplus-Value, Part III, 1. c" p. 122.

[41] K. Mark, A Contribution to the Critique of Political Economy, 1. c., Preface, p. 21.

[42] Cf. 14. Marx, letter to Engels of 18 December 1837, in: K. Marx/F. Engels, Werke, Pd. 20, p. 232.

[43] K. Marx/F. Engels, Revue, May to October 1850, I. e., p. 440.

[44] K. Marx, Capital, Vol. I, Afterword to the second German edition, 1. c., p. 19.

[45] K. Marx, On "Misere de la philosophie", in: K. Marx/F, Engels, Werke, Bd. 19, p. 229.

[46] K. Marx, Grundrisse der Kritik der politischen Okonomie, 1. c., p. 77.

[47] F. Engels, Introduction to Karl Marx's "The Civil War in France", Martin Lawrence Ltd., London 1933, p. 149.

Chapter 3

Why the "Outlines of the Critique of Political Economy" begins with the "Chapter on Money". On the track of value. The 'degradation' of money by the Proudhonists. The concept of necessary labour. Value and price. The divisibility of a commodity and its two factors. The two-fold character of labour in bourgeois society. In search of the "economic cell-form". The material content and social form of each and every economic phenomenon.

The "economic cell-form" of bourgeois society

The "Outlines of the Critique of Political Economy "[1] (Grundrisse der Kritik der politischen Ökonomie) begin with the "Chapter on Money", to which Marx gave the number 'II'. This is explained by Marx's intention to place a chapter in front of it which he first wanted to call 'Value' but later-in "A Contribution to the Critique of Political Economy "-changed to 'The Commodity'[2].

As mentioned already, Marx began work on his theory of value with the critique of Proudhon's theory of money. This circumstance should not be regarded as fortuitous. Here we come across another important feature which distinguishes Marx's method of inquiry from the method of presentation. Money is namely the most precise manifestation of the value of a commodity. "In fact we started from exchange-value, or the exchange relation of commodities, in order to get at the value that lies hidden behind it." [3] Money, or the monetary form of value, is the most advanced form of value, the form appropriate for capitalism. Accordingly, the theory of money follows directly from the theory of value. In the critique of bourgeois and petty-bourgeois political economy and thus also in the investigation of the subject itself (for, as we know, this is one and the same process with-Mars), Marx first of all proceeds from the outward manifestation to the inner nature of things. For this reason, after adding 'II' to the "Chapter on Money", he began "Grundrisse" with an investigation of the theory of money.

We are speaking here of a specific stage in the process of investigation. When the process of investigation is regarded as a whole, then the progression from the abstract to the concrete applies here, too, of course. Thus, for instance, Marx formulated the theory of value before working out the theory of surplus-value.

If, however, the individual stages in the investigation are considered, Marx starts here with the outward manifestations in order to progress to the inner nature of the things, for

example, from money to the commodity and not conversely, as is characteristic of the process of representation.

Marx regarded the understanding of the category 'money' as the criterion for whether the nature of value was appreciated in actual fact. When he later criticized Ricardo's theory of value, he remarked that Ricardo "does indeed concern himself with labour only as a *measure of the magnitude of value* and on account of this found no relation between his theory of value and the nature of money."^[4] In the "Grundrisse" and on the basis of the theory of value that he had developed, Marx made a detailed criticism of the quantity theory of money and noted "that Ricardo's monetary theory is completely refuted ..."^[5]

In "Grundrisse", Marx directly states that the critique of Proudhon's theory of money will "allow us to look into the most profound secret which binds Proudhon's theory of circulation with his general theory-his theory of the determination of value."^[6] Let us follow Marx into the thicket of Proudhon's utopian theory of money and see how he works out his own theory of value, step by step.

The "Chapter on Money" begins with a detailed assessment of the book "De la reforme des banques" (On the reform of the banks), written by Darimon, a follower of Proudhon, and published the year before. In "A Contribution to the Critique of Political Economy", Marx characterized this book as a compendium of Proudhon's "melodramatic monetary theory".^[7] The Proudhonists considered the privileged position occupied by gold and silver, as compared with all other commodities, as the cause of economic crises and, indeed, of all the evils of the capitalist system. "But it was left to M. *Proudhon* and his school to declare seriously that the degradation of *money* and the exaltation of *commodities* was the essence of socialism ..."^[8] To get out of the difficulty, the Proudhonists wanted to replace gold and silver by 'labour money' or 'hour-slips', i.e., by vouchers which were to be handed to the worker and were supposed to certify how many hours he had worked.

In this way, they believed they could kill two birds with one stone. On the one hand, the 'privilege' of gold and silver could be eliminated since the Proudhonists asserted that 'labour money' did not need to be convertible into gold and silver like the usual paper-money since 'labour money' was supposed to be the direct expression of the labour expended. This, so they believed, overcame the basic 'cause' of economic crises, which they considered to be the lack of gold. Secondly, the introduction of 'labour money' was supposed to give every commodity the form of direct exchangeability, thus solving once and for all the problem of the realization of commodities. In short, the Proudhonists proposed that money should be abolished but that commodity production and commodity relations should be retained. The critique by Marx of the Proudhonists had to show the inner relationship between commodities and money, i.e., it had to prove that the existence of money necessarily follows from the relations of commodity production. The revealing of this unavoidable relationship is one of the most important aspects of the theory of value.

'Labour money' was not the invention of Proudhon. Robert Owen was another who advanced the idea of it but for him it was clear that capitalist production had first to be eliminated and communist relations established before the essential conditions for the concept of 'labour money' could emerge. The Proudhonists, however, regarded 'labour money' as the means by which the 'shortcomings' of capitalist production could be eliminated. Through his analysis, Marx showed that these 'shortcomings' are in reality the necessary consequence of capitalist production.

The Proudhonists proposed a bank reform as the practical measure with which they intended to implement their theory of 'labour money'. Marx's critique begins with an analysis of this project.

Using -the statistical material quoted by Darimon in his book, Marx proves in particular that Darimon confuses credit and the circulation of money and accordingly wildly exaggerates the role of the banks in capitalism in that he has them check the circulation of money and regulate credit and the money market in a monopolistic manner. This is why the Proudhonists also assumed that it was sufficient to do away with the metal basis of money circulation (gold) to enable the banks to carry out their function correctly as a regulator of circulation; as a result of these measures, it was believed that crises could be avoided. Marx showed that even if the metal basis of money circulation was totally lacking, under capitalist conditions no bank would be able to prevent economic crises from breaking out.

It was the view of Proudhon and his followers that the bank reform would create completely new production and circulation conditions ..." [9] Marx showed that through this the Proudhonists proclaimed the primacy of circulation over production and proved their "lack of understanding of the inner connection of the relation of production, distribution and circulation" [10]. The main objective of Marx's analysis is the clarification of precisely this inner connection. It follows from the general logic of Marx's analysis that the first important step in an examination of this connection was to explain money by the inner relations unavoidable in commodity production. Marx also formulates the problem in this manner and thus builds a bridge from monetary theory to the theory of value. "The real question is: is it not the bourgeois system of exchange itself which makes a specific instrument of exchange necessary ? Does it not inevitably create a special equivalent for all values?" [11] Marx raises here the question of the nature of money, of the necessary relationship between commodities and money.

Classical bourgeois political economy, on the other hand, was not even in a position to raise this question, to say nothing of solving it. The bourgeois economists assumed that capitalist relations were eternal. The necessity of money and other categories of bourgeois economy were self-evident for them and required no special proof. It was only from the standpoint of the materialist conception of history that Marx was able to raise the question of the necessary relationship between commodities and money. Marx

posed this question for the first time in "The Poverty of Philosophy" but found the answer to it only eleven years later-in." Grundrisse".

Proudhon considered that the main advantage of 'labour money' was that it did not need to be convertible into gold and silver at all. Marx begins his proof of the necessity of money by refuting this thesis "Convertibility -legal or otherwise-... must still be represented by every kind of money"[12] whether it be paper money, 'labour money' or any other money. Marx proves that "the convertibility of the banknote into gold remains an economic law, whether it exists *politically* or not".[13] "Convertibility into gold and silver is thus a practical measure of the value of all paper money which derives its denomination from gold or silver ..."[14]

Paper money is only representative of gold or silver and is consequently not at all identical with them. Consequently, if the quantity of paper money issued were to exceed the quantity of gold necessary for circulation (when gold was in circulation), the paper money would be devalued and there could be no question any longer of its previous convertibility. "... convertibility", wrote Marx, "includes its converse, inconvertibility ..."[15] We may also add that even money in the form of gold can decline in value, as in periods in which there is a general rise in prices.

Having dealt with the problem of the convertibility of paper money, Marx assumes the case when gold is replaced by 'labour money'. If prior to this, the gold coin-for instance, the English sovereign-corresponded to a certain quantity of gold, an hour-slip representing a certain sum of expended contemporary labour, would now correspond to this quantity of gold which incorporates past labour. Marx comes to the conclusion that "... according to the general economic law, production costs consistently fall, living labour becomes consistently more productive, i.e., the labour time materialized in-products consistently depreciates, which would mean that consistent depreciation would be the unavoidable fate of this golden labour money.[16] The past labour time (as a constant magnitude) contained in a certain quantity of gold would consistently rise as compared with the present living labour time represented in the 'hour-slip'. There would be no change in this situation even if 'labour money' were to take the place of paper money based on gold. In this case, the 'hour-slip' would not be compared with a certain quantity of gold but with a certain quantity of-paper money as the representative of this gold.

From his analysis of the hour-slip', Marx now drew an important conclusion which was of fundamental significance for his theory of value: "It is not the labour time incorporated in products which determines value but the labour time necessary at the present time."[17]

The concept of necessary labour in its general form was already formulated by Marx in "The Poverty of Philosophy" where he noted that this thesis was also advanced by Ricardo. The latter, however, regarded the concept of necessary labour, the labour time

required, as being part of the concept of labour in general whilst Marx made this concept an element of his theory on the specific character of social labour in capitalism.

The determination of the value of a commodity by the quantum of necessary labour time expended in its production reflects the inner relationship which exists between value as an element of the production relations and the actual level of the productive forces. By its very nature, Proudhon's theory of 'labour money' assumes that value is not determined by the socially necessary labour but by labour in general. In other words, with their theory of value, the Proudhonists were back to one stage before Ricardo for whom value includes the concept of necessary labour time.

Marx now took the next step in formulating his theory of value and demonstrated that there is a basic difference between value and price. The theory of 'labour money' assumed the converse of this, that value and price are identical. In actual fact, the Proudhonists demanded the abolition of paper money although the price is nothing but the 'exchange-value of the commodity, expressed in money.

In analysing the difference between price and value. Marx introduced an important new element in the definition of value. "The value of commodities determined by labour time is only their *average value*"^[18] which differs from the 'nominal' value, the 'money value', i.e. from the price. The value is determined by the labour time which is socially necessary for a greater or lesser period (e. g. several years). The price, on the other hand, in addition to the socially necessary labour expended, - also expresses the relation which exists at any given moment between supply and demand. This results in consistent deviations of prices from values. The introduction of 'labour money' would change nothing in this. If, instead of 'a 1 lb loaf of bread costs 8 pennies', one says 'a 1 lb loaf of bread - so many hours of labour time (in the form of 'hour-slips ')), the right half of this equation would represent the expenditure of average 'ideal' labour time which usually differs from the actual labour time represented in the price in exactly the same way as the money price differs from value. In this case, the 'hour-slip' would not perform its function, it would not state how many hours of labour time had really been expended for the manufacture of the product concerned. "The hour-slip represented, in contrast to all commodities, an ideal labour time which would soon be exchanged for more or for less than the actual (time) ..." ^[19]

The next important element in the theory of value as developed by Marx in "Grundrisse" consists in the change from the quantitative characterization of value (measurement of value by the socially necessary labour time) to the determination of value as the social relation which marks the "economic quality", the "exchangeability of commodities". In this connection, Marx formulates for the first time one of the fundamental theses of his theory of value: "As values, all commodities are qualitatively equal and only quantitatively different..."^[20] It is precisely this qualitative uniformity which enables them to be exchanged for each other in certain quantitative proportions. With this thesis, Marx firstly comes to the analysis of the two factors of commodities-he

divided commodities into use-value and value-and secondly to the conclusion that duplication of commodities (actual in the exchange-process, ideal before the exchange) as commodity and money is necessary. The logical consequence of all this is that Marx discovers the twofold character of commodity-producing labour.

As value, a commodity does not possess any special qualitative features or natural qualities at all. This economic equivalence, this uniformity of commodities, contradicts the qualitative diversity with which commodities are able to satisfy different human needs. Commodities are only exchanged for each other for the very reason that they are different, of course. This is why 'commodities as objects and things are qualitatively different from their own value.

This contradiction between the economic uniformity of commodities and their natural diversity or, to put it in other words, this contradiction between value and use-value, leads in the exchange-process to the isolation of the value of the commodity from the commodity itself, to the duplication of commodities as commodities and money. Marx stresses that the characteristic of a commodity "as value not only can but at the same time must acquire an existence which is different from its natural one. Why? Because commodities as values only differ quantitatively from each other, each commodity must be qualitatively different from its own value. Its value must therefore also possess an existence which can be qualitatively distinguished from it and, in actual exchange, this divisibility must become an actual division ..." [21]

In itself and by its natural characteristics, a commodity does not possess any exchangeability. It is only when a commodity is exchanged for money that its exchangeability, its social nature, its value, becomes apparent. This exchange for money is the necessary intermediate link in the exchange, of one commodity for another. Marx writes "that the commodity in the actual exchange appears in two ways: as a natural product on the one hand and as an exchange-value on the other. That is, its exchange-value acquires an existence which is materially separate from it." [22]

The inner contradiction of commodities, the contradiction between the qualitative uniformity of the commodities as values and their natural diversity as use-values, is thus outwardly solved in the process of exchange in the duplication of commodities as commodities and money, in the fact that the value of the commodity acquires an independent existence in a special commodity - in money. On the basis of an analysis of the two contradictory factors in commodities, Marx comes to the conclusion that exchange-value is the necessary outward, form of value-in other words, that money is necessary. Marx demonstrates that money is the necessary product of those social relations which mark the labour-product with the social form of exchange-value. This proved that the attempt of the Proudhonists to convert commodities directly into money by means of 'labour-money', to identify commodities and money with each other and to guarantee the direct exchangeability of all commodities was an absolute utopia.

Marx also notes that money, which is the solution of the contradiction between use-value and value of commodities, intensifies all the contradictions of commodity production at the same time and raises them to a new level: "We see therefore that it is an inherent quality of money that it fulfils its purpose by negating it at the same time ; that it becomes independent in relation to commodities : that from a means it becomes an end ; that it realizes the exchange-value of commodities by separating them from it; that it facilitates exchange by dividing it; that it overcomes the difficulties of direct commodity-exchange by generalizing them; that it makes exchange independent in relation to the producers to the same extent as the producers are dependent on exchange."[23] These contradictions also make it possible for economic crises to occur.

The division of a commodity into use-value and value, the analysis of these two factors and the proof that in the process of exchange the duplication of commodities as commodities and money is necessary-all this led Marx to the discovery of the two-fold character of commodity-producing labour. The doctrine of the two-fold character of labour in commodity production forms the foundation of Marx's theory of value. It is precisely this which marks the point at which Marx's theory differs from the labour-value theory of the classics of bourgeois political economy. Not a single economist before Marx had discovered the two-fold character of labour. Marx stressed that "All understanding of the facts depends on this "[24], on the doctrine of the two-fold character of labour.

In "Grundrisse", Marx initially describes the two-fold character of labour as the difference between quantity and quality: abstract labour as "separated from its quality, only quantitatively different labour" and concrete labour as "specific, naturally specific labour, qualitatively different from other kinds of labour ".[25]

Marx proceeded with his analysis of commodity-producing labour and then characterized it as being social labour on the one hand and private on the other. This antagonistic contradiction of a commodity economy based on private ownership of the means of production was formulated by Marx as follows: Individuals still only produce "for the society and in the society" but "their production (is) not *directly* social..."[26] And in another place he writes "that private interest itself is already a socially determined interest..."[27]

Marx identifies here the specific nature of labour in capitalist society. Although social like all labour, under the conditions of private ownership of the means of production it does not, however, have a directly social character. It is rather the case that it is directly private labour. In the process of realization, in the conversion of commodities into money, the social character of the labour which produced these commodities is revealed and concrete labour is traced to abstract labour and private labour to social labour.

This characteristic of labour in bourgeois society being of both a private and social nature at the same time is mentioned by Marx in association with the fact that the

Proudhonist theory of 'labour-money' tacitly assumed the "social character of production" whilst on "the basis of the exchange-values ... it is only by *exchange* that labour {is) postulated as general ".[28]

Thus Marx worked out the principal elements of his own theory of value in the critical confrontation with Proudhon's monetary theory. He demonstrates how, with the development of social production and the social division of labour, the product is changed into a commodity, the commodity into exchange-value and the exchange-value into money. At the same time this leads to a greater contradiction between the use-value and the value of the commodity. In connection with this, Marx gives some important methodological advice on the manner in which the theoretical results which he had arrived at in the course of the investigation should be presented: "It will be necessary later ... to correct the idealist manner of the presentation which gives the impression that it is only a question of definitions of terms and the dialectic of these terms. "[29] Marx points out that in particular expressions such as "the commodity is exchange-value" must be corrected or defined. A commodity exists as a perceptible, independent object but the exchange-value is only a certain social relation associated with commodities. In connection with this, Marx notes that the value-relation of commodities at first exists only in the imagination since relations in general can only be imagined and not perceived with the senses when it is a question of defining them, in contrast to the objects on which they are based and of which we say that they are in this or that relationship with each other.[30]

This is why Marx had to begin analysing the economic structure of bourgeois society not with value but with commodities as the "cell" of this society. It was a question here of commodities as the point of departure of the analysis ... as the "economic cell-form" of bourgeois society. It has already been observed that Marx always worked out his theory of value on the foundation of the analysis of commodities and of the two factors they embody. Now, in the remark just quoted, it is a question of defining this in the presentation as well. In "Grundrisse", Marx sometimes still proceeds from exchange-value. Thus he writes that "the exchange-value of the commodity exists in a double form, as the specific commodity and as money..."[31] In the later presentation, Marx always starts from the commodity as the vehicle of value. "The first category in which bourgeois wealth is represented is that of *commodities*"[32]. In "Grundrisse", the first chapter was to have been called "Value" but in "A Contribution to the Critique of Political Economy " the title then used was "The Commodity". Of course, this is not at all merely a formal change. It expresses above all the materialist character of the dialectic and economic theory of Marx. He takes as his starting point the simplest relation of reality, commodity economy-the exchange of labour-products. Material commodities are, of course, the medium of this relation. In this connection, Marx later wrote "that with me neither 'value' nor 'exchange-value' are subjects but the commodity is ".[33] Political economy takes the category of commodity as the starting point of its analysis since "The point where this history begins must also be the starting point of the train of thought..."[34]

Marx's analysis of the commodity as the "economic cell-form" of bourgeois society forms the basis for the methodologically important thesis that a distinction must be drawn between the social form and the material content of every single economic phenomenon.

Under no circumstances may abstractions be made from this social form in the investigation of economic phenomena. The economic categories as the reflection of economic phenomena cannot be derived from the material content but only from the production relations which are precisely this social form of the economic phenomena.

It was characteristic of bourgeois political economy that it abstracted from the antagonistic form of bourgeois society and regarded the laws of this production as natural and dominating in all formations. It was precisely this circumstance which prevented it from discovering the "economic cell-form" of bourgeois society and from analysing it. The problem of the "economic cell-form" of bourgeois society is the question of the starting point for proceeding from the abstract to the concrete. The initial position of bourgeois economists who considered the capitalist mode of production to be eternal and natural misled them into abstracting from the social form of the commodity, from value as a socially determined form, and discussing only the magnitude of value. Yet it is just this form of value of the labour-product, writes Marx, which "is not only the most abstract but is also the most universal form, taken by the product in bourgeois production, and stamps that production as a particular species of social production, and thereby gives it its special historical character".^[35] In its investigations, bourgeois political economy did not advance so far that it was in a position to divide up the commodity and separate its social envelope from its material content. Thus it was unable to take the social form of the commodity, the value-form of the product of labour-as Marx did-as the point of departure for analysing the capitalist economic system, for proceeding from the abstract to the concrete, for passing from the category of the commodity to the categories of money, capital and so on. At the same time, however, Marx showed that the social envelope of the labour-product under conditions of commodity production, i.e., the value-form of the labour-product, is the limit which may not be crossed by the process of scientific abstraction; otherwise it would be precisely from the basic characteristics of the mode of production in question that one would abstract. In short, the value-form of the labour-product is the point at which to begin if the intention is to set up the structure of the political economy of the capitalist mode of production.

When Marx in his theory of value divided the commodity, separated the social form of the commodity from its physical content and drew a distinction between use-value and value and between the magnitude of the value and its form, he created the essential condition for overcoming the commodity-fetishism of bourgeois political economy for which use-value and value had 'grown' together. On the surface of bourgeois society this is indeed the case but for the bourgeois economists the social characteristics of the things in general had grown together with these things themselves. Marx wrote that with

them "... the material element of capital is so integrated with its social form as capital ..."[36] But neither the use-value of the commodity nor its magnitude of value -can form the foundation on which the system of categories has to be built which characterizes the capitalist mode of production. Only the social envelope of the commodity, the value-form of the product of labour, can provide this foundation.

A detailed report has been given of how Marx discovered the "economic cell-form" of bourgeois society and formulated his theory of value in the "Chapter on Money", the first chapter of "Grundrisse". In this way, he created the foundation which enabled him to proceed further with the statement of the arguments of his theory. He was obliged to do this since, of course, the category of value says nothing about the inner nature of the capitalist mode of production. The relations of a commodity economy are of a fairly comprehensive character and they are not exclusive to capitalism although it is precisely in capitalism that they attain their highest level, of development. But capital as a production relation differs both in form and in content from the simple value-relation and from the relations of the simple commodity-economy.

The relations of value form the starting point for analysing capitalism. Because, both in theory and in capitalist reality, "the concept of value precedes that of capital"[37], it has been necessary to make a thorough examination of how Marx substantiated his theory of value. It was not merely by chance that a German vulgar economist wrote in 1868: "The refutation of the theory of value is the sole task of those fighting Marx: for when this axiom is acknowledged, one must accept almost all of the conclusions which Marx draws with the strictest logic."[38]

We will now take a look at the 'really important thing', the second great discovery made by Marx-the discovery of surplus-value.

Footnotes

[1]Published by the Institute for Marxism-Leninism of the Central Committee of the CPSU, "Grundrisse der Kritik der politischen Ökonomie" was first printed in German between 1939 and 1941.

[2]The beginning of this chapter can be found right at the end of "Grundrisse": cf. K. Marx, Grundrisse der Kritik der politischen Ökonomie", 1. c., p. 763 f.

[3]K. Marx, Capital, Vol. I, 1. c., p. 47.

[4]K. Marx, marginal notes to Adolph Wagner's "Lehrbuch der politischen Ökonomie", in: K. Marx/F. Engels, Werke, Bd. 19, p. 358.

[5]K. Marx, Grundrisse der Kritik der politischen Ökonomie, 1. c., p. 46.

[6]Ibid., p. 55.

[7]K. Marx, A Contribution to the Critique of Political Economy, 1. c., p. 86.

[8]Ibid., p. 86.

[9]K. Marx, Grundrisse der Kritik der politischen Ökonomie, 1.c., p. 41.

[10]Ibid., p. 42.

[11]Ibid., p. 45.

[12]Ibid., p. 53.

[13]Ibid., p. 50.

[14]Ibid., p. 51 f.

[15]Ibid., p. 53.

[16]Ibid., p. 54.

[17]Ibid.

[18]Ibid., p. 55.

[19]ibid., p. 58.

[20]Ibid., p. 59.

[21]Ibid p. 60.

[22] p. 63.

[23]Ibid., p. 69.

[24]K. Marx, letter to Engels of 24 August 1867, in, Marx/Engels, Selected Correspondence, 1.c.,

p. 232.

[25]K. Marx, Grundrisse der Kritik der politischen Ökonomie, 1. c., p. 62.

[26]Ibid., p. 76.

[27]Ibid., p. 74.

[28]Ibid., p. 88.

[29]Ibid., p. 69.

[30]Cf. ibid., p. 61.

[31] p. 66.

[32]Ibid., p. 763.

[33]K. Marx, marginal notes on Adolph Wagner's " Lehrbuch der politischen Ökonomie" , Marx/F. Engels, Werke, Bd. 19, p. 358.

[34] F. Engels, Karl Marx, A Contribution to the Critique of Political Economy, 1. c., p. 223.

[35]K. Marx, Capital, Vol. I, Footnote 2, 1. c., p.

[36]K. Marx, Theories of Surplus-Value, Part 3, 1. c., p. 322.

[37]K. Marx. Grundrisse der Kritik der politischen Ökonomie, 1. c., p. 163.

[38]K. Marx, Mein Plagiat an F. Bastiat, in: K. Marx/F. Engels, Werke, Bd. 16, Dietz - Verlag, Berlin 1962; p. 312 (footnote).

Chapter 4

"By the way, things are developing nicely." From value to surplus-value. The analysis of exchange between labour and capital. Labour-power as a commodity. The mechanism of capitalist exploitation. The theory of surplus-value. What Marx really did discover.

How "he caught the surplus-value robbers red-handed"

On 16th January 1858 or thereabouts, Marx wrote in a letter to Engels the noteworthy words: "By the way, things are developing nicely. For instance, I have thrown overboard the whole doctrine of profit as it has existed up to now."^[1] If this letter is compared with the section of "Grundrisse" on which Marx was working at the time, it can be concluded that Marx was informing his friend of no less than the fact that he had formulated the theory of surplus-value. Let us take another look at "Grundrisse" and see how Marx worked out this theory.

Marx had made a critical analysis of the teachings of Proudhon and proved that Proudhon's monetary theory had to follow from the latter's incorrect theory of value. At the same time Marx developed his own theory of value, after which he investigated the functions of money in commodity-money circulation.

Marx analysed money in its function as a means of circulation and showed that the cycle of commodities and money in this case can be represented not only by the formula $C - M - M - C$ but also by the formula $M - C - C - M$. In the second formula, money is changed from a means of exchange to an end while the commodity, on the other hand, instead of being the purpose of the exchange becomes the means of it. Marx speaks here of the merchant class and- of trade relations. He himself stresses at this point in "Grundrisse": "... we are not yet concerned at all with the category of profit", the formula mentioned is derived "from the analysis of circulation"^[2]. This analysis showed, however, that money is not only an instrument of circulation but can also play an independent role in the process of circulation; in this case, the point of the process consists in "exchanging less money by means of the commodity for more money ..."^[3]

This section of "Grundrisse" is of very great significance in explaining how Marx progressed from the theory of value, which indeed he had only just discovered, to the theory of surplus-value. Of course, it does not yet provide the answer to the question but the general form in which the process of capitalist exploitation takes place is shown and

analysed here. In actual fact, capitalist exploitation consists precisely in the exchange of "less money" (variable capital) "by means of the commodity" (labour-power) "for more money" (variable capital plus surplus-value).

Marx analysed this form of circulation and promptly showed that the new exchange-value (the last M in the formula M - C - C - M) obtained in his findings can only have been created in the production-process, that here "circulation no longer appears in its initial simplicity as a quantitative exchange but as a process of production, as the real metamorphosis".[4] The conclusion which decides the matter immediately follows: "It is part of the simple character of money itself that as a developed element of production it can only exist where *wage-labour* exists ..."[5] This means that when, in the M - C - C - M cycle, exchange-value or "general wealth" is the purpose of social production, the worker can only acquire his wages in the form of money. In this part of "Grundrisse", Marx considers wage-labour for the time being only from the formal side since the only characteristic of it that he mentions is that it is paid for with money. This characteristic also tacitly includes the selling of labour. Concerning money, Marx says here that "in the same way, labour, the productivity itself, *potential* wealth, is exchanged for it and bought with it".[6]

As Marx demonstrates at this point, the developed form of commodity production under the conditions of private ownership of the means of production necessarily includes capitalist relations. In this fact lies the inner relation between commodity production and capitalist production. In the theory, the inner relation between value and surplus-value corresponds to this relation.

The theory of surplus-value is the logical completion of the theory of value. The derivation of surplus-value from value by Marx is based on the development of commodity production into capitalist production as an objective fact. The developmental tendencies of commodity production and exchange-value necessarily lead to the "separation of labour and property; so that labour will produce property owned by another and property - will command labour owned by another"[7] In these concluding lines of the "Chapter on Money", the central problem of the theory of surplus-value is already formulated in a completely specific manner: the necessity to explain surplus-value on the basis of the law of value. This problem was solved by Marx in the next chapter of "Grundrisse", in the "Chapter on Capital".

The bourgeois economists had attempted in vain to pass directly from value to capital and they explained capital as a simple sum of values. In reality, however, a qualitative leap forward takes place here which is why a leap like this is also necessary in theory. It is clear, Marx emphasized, "that the simple movement of exchange-value, as present in circulation as such, can never realize capital".[8]

From its form, capital is a self-reproducing value. From this, it follows that in contrast to simple commodity circulation, for which production is the external condition,

commodity circulation under capitalist conditions must be brought about by the production-process itself. In relation to circulation, production is not an external factor here. It is an integral part of production and is not only the basic condition but also the result of circulation. The analysis of the form of movement of capital thus led Marx to pass to an investigation of the process of capitalist production.

The relation of capitalist production is the relation between worker and capitalist, between labour and capital. Labour and capital confront each other: An exchange takes place between them. The -difficulty in the analysis of this exchange is that there is a particularly crass contradiction here between the outward form and the nature of this exchange. (Incidentally, in Volume III of Capital, Marx noted that "... all science would be -superfluous if the outward appearance and the essence of things directly coincided"[9] The essentially unequal exchange between the worker and the capitalist takes place (and must therefore be explained) on the basis of the law of value, on the basis the exchange of equivalents. As Marx says, capital is "the power ... to appropriate labour of another *without exchange, without equivalent*; but with the appearance of exchange".[10] The analysis of this exchange is based to a significant degree on the twofold character of labour described in the "Chapter on Money", on the realization that the commodity represents the union of use-value and- value.

To begin with, Marx divides exchange between capital and labour into two qualitatively different- and opposed processes: 1. into the actual exchange between the worker and the capitalist-who acquires by exchange the productive force "which maintains and multiplies capital"[11], and 2. into the labour process itself, in which this maintenance and multiplication of capital takes place. "*In the exchange between capital and labour, the first act is an exchange (which) falls entirely within the usual circulation; the second is a process which is qualitatively different from exchange ...*"[12]

The first stage in the exchange between capital and labour therefore consists in the capitalist and worker concluding a contract with each other on the basis of the exchange of equivalents. Marx immediately directs his attention now to .the commodity, which is the object of the contract between the capitalist and the worker, and especially to the use-value of this commodity. In this connection, Marx raises the important question of "how far the use-value, not only as an essential component, remains outside the economy and its specific forms and how far it is integrated in these."[13] "Does not the use-value as such appear in the very form in which it determines the economic form itself, e.g.: in the relation of capital and labour?"[14]

Marx provides the answer with the thesis that "In the, relation of capital and labour, exchange-value and use-value are set in a relation to each other : one side (capital) is first of all set against the other side as exchange-value and the other (labour) is set against capital as use-value."[15] It is here that Marx takes the first step away from the usual formula of the bourgeois economists-"labour as a commodity", "selling of labour"-and progresses to labour-power as a commodity. In this examination, labour is

no longer represented as a commodity but as the use-value of the commodity which the worker sells to the capitalist.

What is the use-value, for the capitalist, of labour-power as a commodity? This obviously lies in the ability of this commodity to produce exchange-values in the labour process, in its ability to maintain and multiply capital. It is likewise just as obvious that this use-value is the living labour of the worker. This use-value which the worker offers to the capitalist-and it is this which is his special characteristic - "... is not materialized in a product, does not exist at all away from him; it therefore (exists) as his ability not in actual fact but only as a possibility".^[16] Marx has taken the next decisive step towards labour-power as a commodity. The worker does not sell labour to the capitalist but his ability to work, his labour-capability.

Marx then also speaks of the worker selling "the right to dispose of his labour", "the temporary right to dispose of his labour-power". It is not a question here of the terminology either, although it is of quite exceptional importance for every theory that an adequate terminology is worked out. It is a question of the realization of the fact that the living labour of the worker is not something which can be sold. The term 'labour-power' was already employed by Marx in "Wage-Labour and Capital"^[17] but there he did not yet consider labour-power as a commodity.

Labour-power as a commodity is inseparably associated with capitalist production relations. With brevity and precision, Marx said about this that "*Separation of ownership from labour* appears as the necessary law of this exchange between capital and labour."^[18] Since the worker is not the owner of the means of production, he cannot be the owner of his labour or the product of his labour. He is only the owner of his labour-power and it is this which he sells to the capitalist.^[19]

"The separation of labour and ownership in the labour-product, of labour and wealth", continues Marx, "is thus set in this act of exchange itself. What appears paradoxical as the *result* is in fact already contained in the precondition itself."^[20] The analysis of labour-power as a commodity enabled Marx to explain one of the most difficult aspects in exchange between capital and labour. Indeed, when one starts with the fact that labour is sold, the result of the exchange really is paradoxical the worker is then the owner of his labour but at the same time not the owner of the product of his labour. This would be a crass violation of the equivalence of exchange, of the law of value.

In the first stage of the exchange between capital and labour, the right to dispose of the living labour of the worker passes into the hands of the capitalist. The process of this living labour is now the process of exchange-value production itself, as a result of which capital is maintained and multiplied.

Marx sums up the findings of the analysis of the first stage in the exchange between labour and capital in the words: "Labour ... not as value itself but as the *living source* of

value."[21] However, in his investigation of the second stage, Marx came across surplus-value.

The objective result of the first- stage in the exchange between capitalist and worker, as Marx noted[22], consisted in the capitalist appropriating the ability of the worker to work (labour-power) and thus the actual labour as well. In the labour-process, capital is now maintained and multiplied, i.e.; surplus-value is produced. Marx was now confronted by the task of discovering the mechanism of this process, the process of capitalist exploitation.

Marx criticizes the attempts of bourgeois economists to derive the increase in capital value directly from simple commodity circulation and now introduces the term 'surplus-value' for the first time.[23] How does surplus-value result in the capitalist production process?

Marx had established all the conditions necessary for the solving of this problem and it was only the division of capital into constant and variable components which had still to be worked out. Marx -only adopted these expressions at a somewhat later date but in fact he makes this distinction already in his analysis of the conditions for the existence of surplus-value.

Marx examines the surplus of value of the product which is present as the result of the expenditure of living labour as compared with the value of the raw material, the auxiliary materials and the instruments of labour (constant capital). He raises the question of the relationship of the value which the capitalist pays to the worker in the form of wages (variable capital!) to the value which the living labour creates in the production process. Obviously, surplus-value only exists when the first value is less than the second.

The capitalist mode of production establishes the necessary conditions for meeting this-requirement. The capitalist relations of production on which the exchange between labour and capital, the selling of labour-power to the capitalist, is based necessarily leads to the worker disposing of his labour. The labour of the worker and thus the labour-product as well belong to the capitalist. The worker "exchanges his value-producing activity for a predetermined value, regardless of the result of his activity".[24]

The capitalist relations of production therefore include (from the standpoint of the law of value, the exchange of equivalents) the possibility that the value which results through the expenditure of living labour exceeds the value of the labour-power, i.e., they permit the existence of surplus-value. The transformation of this possibility into reality depends on the productivity of social labour, on the level of development of the productive forces. "If one working day were needed to keep a worker alive for one working day, capital would not exist since the working day would be exchanged for its

own product, i.e., capital as capital could not be realized and consequently could not be maintained either ... If, on the other hand, for instance, only half a working day is needed to keep a worker alive for a whole working day, then the surplus-value of the product results by itself. since the capitalist has only paid for half a working day in the price and receives a whole day in materialized form in the product ..."[25] However, the capitalist mode of production is characterized precisely by the fact that the development of the productive forces attains a level at which productive labour is represented as labour which produces surplus-value. Marx writes about capital in the following words: "As the never-ending driving force of enrichment, it therefore strives for the never-ending multiplication of the productive forces of labour and calls them into being." [26] In this connection, he also develops the concepts of absolute and relative surplus-value in "Grundrisse" and discovers the discordant tendency of capital: the tendency to extend the working day and at the same time to reduce the working time necessary.

"When the absolute surplus-value is considered, it appears as determined by the absolute extension of the working day beyond the working time necessary ... In the second form of surplus-value, however as relative surplus-value, which appears as the development of the productive force of the workers, *in relation to the working day as a reduction of the necessary working time* and in relation to the population *as a reduction of the necessary working population* ... in this form there directly appears the industrial and distinctively historical character of the mode of production based on capital ... The tendency of capital is to combine the absolute with the relative surplus-value; i.e., the *greatest expansion of the working day with the greatest number of simultaneous working days, at the same time with the reduction of the necessary working time to the minimum* ..."[27]

In "Grundrisse", Marx solved the problem of the exchange between labour and capital on the basis of the law of value and thus established the foundations of his theory of surplus-value which forms the cornerstone of his entire economic doctrine. In Marx's theory, surplus-value appears as the necessary result of capitalist production relations, representing the essential basis of these relations. It determines the other categories and relations of capitalist society and implies the law of motion of the capitalist mode of production, the inevitability of its downfall and its replacement by communism. "... within bourgeois society on the basis of *exchange-value*", writes Marx in "Grundrisse", "there are produced both trade and production relations which are just like mines with which to blow it up ... (... if we did not find in society, as it is, the material production conditions and the trade relations corresponding to them for a classless society in a veiled form, all attempts to blow it up would be quixotism.)".[28] These remarkable words agree with the conclusion concerning the expropriation of the expropriators drawn by Marx in the course of the further development of his theory and formulated in the 24th chapter of the first volume of "Capital".[29]

The discovery of surplus-value was the greatest revolutionary event in the science of economics. It enabled Marx, for the first time in the history of political economy, to

uncover and scientifically explain the mechanism of capitalist exploitation. In the vigorous language of Vladimir Mayakovsky, Marx "caught the surplus-value robbers red-handed".[30]

Marx was the first in the history of the science of economics to show that the acquisition by the capitalist class of the surplus-value created by the workers is the basis of the capitalist mode of production and takes place in complete agreement with its inner laws, especially with the law of value.

Insofar as capitalist exploitation follows from the nature of capitalist production relations as such, the direct result of this is that no liberation at all of the working class is possible within the: capitalist order of society. "The expropriated masses have no other prospect of obtaining possession than to transfer the means of production to society in a revolutionary way, i.e., to make them the common property of the entire nation." [31]

The socialist revolution is consequently not just possible but also necessary-this is the decisive conclusion which follows from Marx's theory of surplus-value. Thus the scientific hypothesis advanced in the 1840's became a scientifically substantiated thesis by the end of the 1850's.

The discovery of the category of "surplus-value" should not be regarded as merely the discovery of the appropriate term. This was what the bourgeois economists did, however, who wanted to discredit Marx's theory and ascribe its merits to the Ricardo socialists, for example. Some Soviet researchers take the view that the term "surplus-value" was invented by Marx.[32] This view cannot be shared at all. The term "surplus-value" was already employed by the Ricardo socialist William Thompson in his book "An Inquiry into the Principles of the Distribution of Wealth Most Conducive to Human Happiness" (1824).[33] As was shown by F. Engels in the article on "Lawyers' Socialism" which he wrote in association with K. Kautsky, Thompson used this term to designate the surplus-profit which the capitalist who used machines obtained in comparison with the craftsman whose work was done by hand. In addition to the term 'surplus-value', Thompson also used the expression 'additional value' which he applied to the whole of the value newly created ($v + m$). Engels also drew attention to the fact that the "expression 'plus-value' for every increase in value which costs the owner of the goods nothing has been customary from time immemorial in normal business circles in France." [34] It is also of interest that Marx, long before the publication of "Capital" made use of the term 'surplus-value' a few times in one of his early articles (written in October 1842). On that occasion he used it in the sense of additional value, of fines by which the owner of woodland was compensated for thefts of timber.[35]

The fact that Marx introduced the term 'surplus-value' to designate the corresponding category was naturally of considerable importance for the elaboration of the theory of surplus-value itself. Engels wrote about the significance of terminology in the

development of science as follows: "Every new aspect of a science involves a revolution in the technical terms of that science ... Political Economy has generally been content to take, just as they were, the terms of commercial and industrial life, and to operate with them, entirely failing to see that by so doing, it confined itself within the narrow circle of ideas expressed by those terms. Thus, though perfectly aware that both profit and rent are but sub-divisions, fragments of that unpaid part of the product which the labourer has to supply to his employer (its first appropriator, though not its ultimate exclusive owner), yet even classical Political Economy never went beyond the received notions of profit and rent, never examined this unpaid part of the product (called by Marx surplus-product) in its integrity as a whole and therefore never arrived at a clear comprehension, either of its origin and nature, or of the laws that regulate the subsequent distribution of its value."[\[36\]](#)

That the term surplus-value' is not to be found with the bourgeois economists is demonstrated by the fact already mentioned that bourgeois political economy was unable to identify the category of surplus-value as a special category of the capitalist mode of production. Marx showed what confusion had been caused in economic theory by the circumstance that the bourgeois economists, or their opponents who were influenced by Ricardian theory, in practice understood surplus-value under the categories of profit or interest.

Thus the author of an anonymous pamphlet which appeared in 1821 and was directed against bourgeois political economy made "an important advance on Ricardo"[\[37\]](#), as Marx stressed, in attributing surplus-value to surplus-labour. "... whatever *may be due* to the capitalist", quotes Marx from the pamphlet, "he can only receive the surplus labour of the labourer; for the labourer must live ..."[\[38\]](#) In the pamphlet, however, the category of surplus-value is designated as 'capital interest' (to distinguish it from the interest for loaned capital, profit, etc.) and this alone "leads to undesirable contradictions"[\[39\]](#) on the part of the author "and suffices to make him relapse into economic slang."[\[40\]](#)

By the "level of the rent in general", Rodbertus - a German bourgeois economist - actually understood the profit-rate and puzzled over the difference between surplus-value and its special forms. But, as Marx noted, "he races past the correct (answer) because for him, right from the start, it is a question of the interpretation of a *specific* phenomenon (land-rent) and not of the discovery of the general law."[\[41\]](#)

Consequently, the introduction of the term `surplus-value' into scientific usage was of enormous importance for the development of political economy. But the outstanding merit of Marx was not his use of the term `surplus-value' but the fact that he formulated a coherent, scientific theory of surplus-value which explains the nature of capitalist exploitation.

Footnotes

[1]K. Marx, letter to Engels, about 16 January 1858, in: Marx/Engels, Selected Correspondence, Foreign Languages Publishing House, Moscow 1953.

[2]K. Marx, Grundrisse der Kritik der politischen Ökonomie, 1. c., p. 116.

[3]Ibid.

[4]Ibid., p. 130.

[5]Ibid., p. 134 f.

[6]Ibid., p. 129.

[7]Ibid., p. 145.

[8] Ibid., p. 165.

[9]K. Marx, Capital, Vol. III, Foreign Languages Publishing House, Moscow 1959, p. 797.

[10]K. Marx, Grundrisse der Kritik der politischen Ökonomie, I. c., p449.

[11] Ibid., p. 185.

[12] Ibid., p. 186.

[13]Ibid., p. 179.

[14]Ibid., p. 178,.

[15]Ibid., p. 178 f.

[16]Ibid., p. 178.

[17]K. Marx, Wage-Labour and Capital, Martin Lawrence Ltd., London 1932, p. 30.

[18]K. Marx, Grundrisse der Kritik der politischen Ökonomie, 1. c., p. 203.

[19]The value of this labour-capability, the labour-power of the worker, is determined by the quantum of materialized labour which is necessary for the reproduction of the labour-power, i.e., by the labour-quantum which is needed for producing the worker himself since the use-value of the commodity which the worker sells cannot be separated front the worker himself.

- [20]K. Marx, Grundrisse der Kritik der politischen Ökonomie, 1. c., p. 214.
- [21]p. 203.
- [22]Ibid., p. 203.
- [23]Ibid., p. 222.
- [24]Ibid., p. 229.
- [25]Ibid., P. 230.
- [26]Ibid., p. 247.
- [27]Ibid., p. 654 ff.
- [28]Ibid., p. 77.
- [29]Cf. K. Marx, Capital, Vol.c., p. 763.
- [30]V. Mayakovsky, Ausgewahlte Gedichte and Poeme, Berlin 1953, p. 315.
- [31]Programm und Statut der Kommunistischen Partei der Sowjetunion, Dietz Verlag, Berlin 1961, p. 28.
- [32]Cf. E. A. Messerle, in [Academic Transactions of the Alma-Ata State Pedagogical Institute for Foreign Languages - SP], Vol. I, Alma-Ata, 1956. p. 46.
- [33]W. Thomson, An Inquiry into the Principles of the Distribution of Wealth Most Conducive to Human Happiness, London 1824, pp. 167, 169.
- [34]Juristen-Sozialismus; in: K. Marx/F. Engels, Werke, Bd. 21, Dietz Verlag, Berlin 1962, p. 506.
- [35]K. Marx, Debatten uber das Holzdiebstahlgesetz, K.Marx/F. Engels, Werke, Bd. 1, pp. 135, 136, 139.
- [36]F. Engels. Preface to the English edition of Capital, l.c., p. 4.
- [37]K. Marx, Theories of Surplus-Value, Part III, l. c., p. 238.
- [38]Ibid., p. 239.
- [39]Ibid., p. 254.
- [40]Ibid., p. 254.

[41]K. Marx, Theorien über den Mehrwert, 2. Teil, I. c., p. 54.

Chapter 5

A few words about the first volume. The result of fifteen years' research. "... these parts still contain nothing about capital". The revolutionizing of science. The manuscript of 1861/63. Work on the second part, January 1862: everything from the beginning again. A new stage in the investigations. The "inner" categories and their metamorphosed forms. The necessity for the completion of the theory of surplus-value. The theory of profit in "Grundrisse". The theory of average profit and, of production-price in the manuscript of 1861/63. A statement by Engels.

Why the second volume of "A Contribution to the Critique of Political Economy" was not published

In May 1858, Marx completed the work on "Grundrisse" which we attempted to analyse in the preceding chapters and, on 26th January 1859 he sent the Berlin publisher, Duncker, the manuscript of the first part of "A Contribution to the Critique of Political Economy". The book appeared in the summer of 1859. A special chapter has not been devoted to this work by Marx here for the simple reason that the first part of "A Contribution to the Critique of Political Economy" only contains the chapter on the commodity and the chapter on money. The chapter on capital, where he had intended to describe his theory of surplus value, was to be the subject of the second part but this was never published. In place of this, the first volume of "Capital" appeared in 1867.

The answer to the question of why the second part of Marx's work was never published is of considerable significance since it can explain how he took his theory of surplus-value a stage further.

In "A Contribution to the Critique of Political Economy", Marx provided for the first time a systematic description of his theory of value. He himself had a high opinion of this work which was the result of fifteen years of research. This book, wrote Marx, represents "for the first time an important view of social relations (from a) scientific (standpoint)."^[1] "I hope to win a scientific victory for our Party."^[2] "In these two chapters... the foundation of the Proudhonist socialism now fashionable in France is destroyed."^[3]

Although the first part did not include the theory of surplus-value, the foundations for the analysis of the capitalist mode of production were nevertheless already set out in it. Marx noted in this connection "that the specifically social but not at all *absolute* character of bourgeois production is analysed forthwith in the simplest form, that of the commodity".[4]

Marx realized very well that he had achieved a revolutionary transformation in political economy. In an answer to the reproach (made even by friends and fellow-militants such as Wilhelm Liebknecht, for instance) that the mode of presentation was not on a popular level, Marx emphasized that "Scientific attempts to revolutionize a science can never be really popular." [5]

Later, in the letter to Engels of 16th May 1868, Marx explained this thesis and stated that in political economy there was a great divergence between that which was of interest for practical aspects and that which was theoretically necessary.[6] The painstakingly exact analysis of the "economic cell-form" of bourgeois society seems to be one subtlety after another.[7] For the theory of surplus-value, however, these 'subtleties' were of fundamental importance. At the same time, Marx expressed the opinion that the second part would be "more readily understood since it would deal with more concrete relations." [8]

The chapter on capital, containing the theory of surplus-value, rightly occupied a central position in Marx's work as a whole. Marx made repeated references to this when he said that this chapter "is really the most important part of the first book" [9] and stressed that it has "a directly revolutionary task" [10] and that with it "the actual battle" [11] begins. This also explains the somewhat apologetic tone which runs through the letter Marx wrote to Engels shortly before he sent the manuscript of the first part to the publisher : "The manuscript is about 12 signatures (three parts) and-don't faint-although its title (is) "Capital in general", these parts still contain nothing about capital ..." [12] In the same letter, Marx informs him that the chapter on capital has been prepared in detail and would soon follow, immediately after the publication of the first part.

Thus there is every reason to assert that it was Marx's intention that the first part of his work should be followed as rapidly as possible by the second. Both the nature of the matter and also the task of propagating the Marxist economic theory and of disseminating it in the working-class movement necessitated this. The first part only contained the first two introductory chapters and even these were by no means understandable for everybody. Marx wrote to Engels that "Mr. Liebknecht has told Biskamp that 'he was never so *disappointed* by a book' and Biskamp himself said to me that he did not see 'à quoi bon' (i.e., the use of it)" [13].

And Engels, who was keenly aware of all these circumstances, urged his friend on 31st January 1860 to prepare the second part of his work for printing as quickly as possible. "I consider this to be the most important thing for the time being ... Be a little less

conscientious for once in your own affairs ... *That* the thing is written and will be published is what matters ... and if eventful times occur, what good is it if the whole thing is interrupted before you are yet finished with capital in general? I am very well aware of all the other interruptions which come between but I also know that the principal delay is always caused by your own scruples. After all, it's better that the thing appears than that it is not published at all for the same misgivings." [14]

But the whole of 1860 passed and it was only in August 1861 that Marx at last began work on the second part of "A Contribution to the Critique of Political Economy". This work was the beginning of a mighty manuscript covering 200 printed sheets which Marx called, like the first part, "A Contribution to the Critique of Political Economy" (Zur Kritik der politischen Ökonomie). Marx wrote this manuscript between August 1861 and July 1863. It consists of 23 parts and the pages are numbered consecutively from 1 to 1,472. Its composition, however, is quite heterogeneous.

The first five parts, which Marx wrote in the period from August to December 1861, reflect his work on the second part of "A Contribution to the Critique of Political Economy". Here he dealt with the transformation of money into capital and the production of absolute and relative surplus-value. But when he reached the section on machines, Marx interrupted the positive description of his economic theory and, in January 1862, began a searching critical analysis of the history of bourgeois political economy, which forms the greater part of the manuscript from 1861 to 1863 and comprises more than 100 printed sheets. Marx called this historical-critical part of the manuscript "Theories of Surplus-Value". He had originally intended that this historical digression should complete the section on the production-process of capital in the same way that the chapters on the commodity and on money are followed by historical notes in the first part of "A Contribution to the Critique of Political Economy".

Marx's work on the "Theories of Surplus-Value" was indeed a tremendous critical analysis of the whole of bourgeois political economy. As such, it marked a new stage in his scientific investigations. However, Marx did not simply carry out an historical-critical examination of bourgeois political economy but, following his method of inquiry, also continued to work on his theory of economics. This also explains the numerous theoretical digressions in the "Theories of Surplus-Value" which sometimes account for hundreds of pages and are devoted to the cardinal problems of political economy. In the letter of 15th August 1863, Marx informed Engels about his work on this manuscript and remarked : "By the way, when I now look at the concoction and see how I have had to throw everything overboard and had to put even' the *historical* part together from material which was to some extent completely unknown ..." [15]

What did Marx have to "throw overboard" in the course of the work on the "Theories of Surplus-Value" and what was the "material which was to some extent completely unknown" of which he speaks?

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

Let us take another quick look at "Grundrisse" to check that Marx had not yet developed his theory of average profit and of production-price in this manuscript. Some Soviet scholars take the contrary view. L. A. Leontyev writes in a book on "Grundrisse" that "the most important theses of the doctrine of the rate of profit and of price of production which are developed in the third volume of Capital' had already been elaborated in Grundrisse ".^[16] We take the view that this was not the case and we will try to show why. It is sufficient to note here that the basic theses of the doctrine of profit-rate and production-price were not developed for the first time by Marx in the third volume of Capital' (1865), as asserted by L. A. Leontyev in his book, but in the "Theories of Surplus-Value" (1862). What is to be found in "Grundrisse" about this ?

To begin with, it can be stated that Marx in "Grundrisse" advances his theory of profit as the metamorphosed form of surplus-value on the basis of the distinction he makes there between variable and constant capital. Marx notes that the category of surplus-value is missing in the bourgeois economists and writes: "... au fond (- strictly speaking) surplus-value-insofar as it is indeed the basis of profit but is still distinguished from the commonly so-called profit-has never been developed."^[17]

In an analysis of the theory of Ricardo, Marx said that "The difference between *profit* and *surplus-value* does not exist for him..."^[18] Marx also noted the errors and contradictions which follow from this in the bourgeois economists, "that profit is not understood as a self-derivative, secondary form of *surplus-value*".^[19]

He explains that "*In its direct form profit is nothing but the sum of the surplus-value expressed in proportion to the total value of the capital.*" The "*profit of the capitalist class ... can never be greater than the sum of the surplus-value*".^[20]

In "Grundrisse", Marx formulates "two... laws which are apparent in this transformation of surplus-value into the shape of profit ..." The first is that the profit-rate is always less than the rate of surplus-value, the second states that "the profit-rate decreases".[21]

Marx also propounds in "Grundrisse" the laws of the change in the profit-rate and in the rate of surplus-value: "... the greater the growth ... in the relative surplus-value, ... the greater *the drop in the rate of profit*." [22]

In "Grundrisse", Marx worked out in detail the law of the tendency of the profit-rate to fall and characterized it as "the most important law of modern political economy", "which despite its simplicity has never been understood up till now and even less has been consciously expressed".[23] The consequence of this law is that "beyond a certain point, the development of the productive forces is a barrier for capital; this means that the capital relation is a barrier for the development of the productive forces of labour." "The growing unsuitability of the productive development of society for its prevailing production relations is expressed in the slashing contradictions, crises and convulsions." [24] "... the highest development of productive power together with greatest expansion of existing wealth will coincide with depreciation of capital, degradation of the labourer, and a most straightened exhaustion of his vital powers." "... these regularly recurring catastrophes lead to their repetition on a higher scale, and finally to its (i.e., capital) violent overthrow." [25]

It is thus evident that Marx, in "Grundrisse", did not stop at the discovery of surplus-value but proceeded with the explanation of forms, metamorphosed on the basis of surplus-value, which take effect on the surface of capitalist society. Above all, he developed the theory of profit but did not come to a halt here either.

In "Grundrisse", Marx notes a fact of fundamental significance. Since the organic composition of capital differs in the individual branches, the "proportions of surplus-labour" (i.e., the individual rates of profit) are also unequal. "*Equal surplus-value, i.e., an equal relation of surplus-labour and necessary labour, being assumed*, profit can thus be unequal and must be unequal in relation to the magnitude of the capital." [26] The same profit-rate for capital investments of the same magnitude would only be possible if the whole of the surplus-value were distributed in proportion to the magnitude of the capital sums invested. Marx draws attention to the fact that a distribution of this kind does take place in various branches as a result of competition between the capitalists. In one branch prices fall below the value, in another they rise above it. [27] However, the capitalists, "can divide among themselves nothing but surplus-value". [28] Marx emphasizes that "the distribution of the surplus-value among the capital sums, the *calculation* of the total surplus-value among the individual capital sums," is a "*secondary economic operation*". [29]

The material quoted here justifies the assertion that Marx in "Grundrisse" comes very close to the discovery of the law of average profit and of 'production-price: he comes to

the conclusion that unequal individual profit-rates necessarily exist in the different branches of production and that profits must be redistributed at a general profit-rate as a result of the competition between different branches. The general profit-rate is established by the redistribution of the surplus-value produced in all branches of capitalist production in proportion to the magnitude of the invested capital. Commodities are sold at prices which differ from their value, i.e., from the facts as such, at production-prices which in one branch are above and in another below the value of the commodities.

Marx is very close to the theory of price of production here but does not yet comprehend it' in its full significance. This is also the reason why the theory of average profit and of price of production is not taken further in "Grundrisse". Price of production as a category does not appear in "Grundrisse" either[30] ; the production-price here is not yet developed as a metamorphosed form of value. To be able to do that, Marx had first to show that competition within a particular branch transforms the individual value into the market-value and how the competition between different branches changes market-values into prices of production. In capitalism, the centre around which market-prices fluctuate is no longer the value but the price of production. it is precisely this fundamental distinction in price-formation which occurs with the transition from a simple commodity economy to capitalist production which is not yet explained by Marx in "Grundrisse". It is at a later date, between 1861 and 1863, that Marx deals with this problem exhaustively in the course of his work on "Theories of Surplus-Value".

There is a great deal of indirect evidence for the validity of this thesis. At the end of the first chapter of "A Contribution to the Critique of Political Economy", Marx lists the basic problems of political economy but does not include average profit or price of production. The problem of land-rent, which is closely connected with the question of price of production, is merely reduced here to "... how does the exchange-value of natural forces arise ?"[31]

In the letter to Lassalle of 11th March 1858, Marx speaks about the contradiction between Ricardo's profit and labour-value theories. "I believe I have cleared up the matter"[32], is what he writes. The same contradiction is also discussed at the end of the first chapter of "A Contribution to the Critique of Political Economy"[33]. Obviously, it is a question here of the first of the two contradictions in Ricardo's theory which subsequently resulted in the downfall of the Ricardian School of bourgeois political economy (as noted by F. Engels in the foreword to the second volume of "Capital").

This contradiction consisted in the inability of Ricardo and his followers to bring exchange between labour and capital into harmony with the law of value and to explain the production of surplus-value with the exchange of equivalents as a basic condition. But neither in the letter mentioned nor at the end of the first chapter of "A Contribution to the Critique of Political Economy" is there any mention of the second contradiction

in Ricardo's theory, of its inability to explain average profit and price of production within the framework of the law of value. Instead of giving this explanation, Ricardo and his school, like A. Smith, identified value with the price of production.

It is only after 1862 that Marx speaks of this "dogma of Smith and Ricardo" after he had discovered and criticized this contradiction in the theory of Ricardo and, at the same time, provided the positive solution of the problem.[34]

Marx mentions the law of average profit and of the price of production for the first time in "Theories of Surplus-Value", to be exact, in the chapter devoted to A. Smith: "Yes, as I shall prove below, even the average price of commodities (this is how Marx often refers to price of production in the manuscript of 1861/63-V. V.) is *always different* from their value." [35] This shows that Marx had already solved the basic problem of the theory of average profit and price of production—at least in his head—in January 1862.

It may be assumed that he found the answer to this problem between 1860 and 1861. The first elaboration of the law of average profit dates from the spring of 1862.[36] Marx formulated the law of average profit and price of production between June and August 1862 (similarly in "Theories of Surplus-Value"). It is to this time that the letters also refer in which Marx and Engels provide detailed information about the discoveries made concerning the theory of average profit and price of production and the theory of land-rent which is closely associated with it.[37]

By the end of 1862, Marx saw that the basic problems of the theory of surplus-value had been solved and this caused him once again to think about continuing the publication of his theory of economics. On 28th December 1862, he wrote to Kugelmann: "I was very glad to learn from your letter that you and your friends take so warm an interest in my *Critique of Political Economy*. The second part is at last finished, apart from making a fair copy and the final polishing for the press. It will be about thirty printed sheets. It is actually a continuation of Part I, but will appear independently under the title *Capital* with *A Contribution to the Critique of Political Economy* only as a sub-title." [38]

The "fair copy and the final polishing for the press" alone still took more than four years and the 30 printed sheets referred to were consequently transformed into the four volumes of *Capital*". All this only shows that the transition from research to the description of problems which have already been examined and the arrangement of the layout of "*Capital*" was a no less complicated process than the task of research itself.

How Marx elaborated his theory of economics in the 1850's was described by F. Engels in 1893 : "Marx worked out the theory of surplus-value quietly and entirely by himself during the Fifties and stubbornly refused to publish anything about it until he was fully clear about it and all the consequences. Thus the non-appearance of the second and following parts of 'A Contribution to the Critique of Political Economy'..." [39]

After everything which has been said so far, there is no longer any doubt that Engels, when he refers to the "consequences" of the theory of surplus-value, means the further development of this theory, the explanation of average profit, price of production, land-rent and so on. All these problems were solved by Marx in the course of the work on the manuscript of 1861/63, when he again carried out a critical examination of the entire field of bourgeois political economy. While making this examination Marx wrote the historical part of the future "Capital"-the "Theories of Surplus-Value"- and at the same time completed his own theory of surplus-value. This meant that publication of the second part of "A Contribution to the Critique of Political Economy" was now possible. But at the end of 1862, Marx decided to change the title of his work on economics which was now to be published immediately in one volume and no longer in the form of separate parts.

The critical analysis of bourgeois political economy in "Theories of Surplus-Value" is a brilliant illustration of Marx's method of economic, research. When Marx investigated bourgeois political economy, he did not demand at all from this or that bourgeois political economist that he should take the standpoint of the working-class. Thus Marx defended Ricardo who was accused by his "sentimental opponents" of sacrificing the interests of the workers to the interests of production and of wanting production for the sake of production. Marx stressed that Ricardo, for his time, was correct and that from the bourgeois standpoint his position "was not only *scientifically honest* but *scientifically necessary*."^[40] Marx criticized the bourgeois economists only because they did not pursue their original theses-formulated from the purely bourgeois standpoint-, such as the labour-value theory, to the logical conclusion.

In his analysis, Marx always follows the standpoint of bourgeois political economy in this or that question right to the end. Since he did this from the position of the working-class, he was free from the narrowness which prevented bourgeois political economy from pursuing its own theory-the labour-value theory-to the logical conclusion. Marx drew the conclusions from the labour-value theory and in this way-as we have seen-arrives at his theory of surplus-value.

This can be illustrated by two examples from the manuscript of 1861/63.

1. In a general analysis of classical bourgeois economy, Marx notes that it has "reduced to the one form of profit all forms of revenue and all independent shapes and titles under which the non-labourer participates in the value of the commodity."^[41] At this point, the bourgeois economists stopped. They were unable to distinguish "surplus-value" as a separate category in its true form and identified it with the category of "profit". Marx's analysis begins at that point where bourgeois political economy came to a halt.

To begin with, Marx shows that in fact a theory of surplus-value can be found in Ricardo. "In the critique of Ricardo, we must now distinguish what he himself did not distinguish. (Firstly) his *theory of surplus-value*, which naturally exists in him, although

he does not fix *surplus-value* as differing from its special forms of profit, rent and interest."^[42] At another place, Marx declares that where Ricardo in his remarks abstracts from constant capital, i.e., where profit is shown as a product of variable capital, he is in fact talking about surplus-value.^[43]

Marx also shows that classical bourgeois economy represents surplus-value as the result of unpaid labour. In the classical authors, says Marx, "Profit, however, is reduced to surplus-value since the value of the whole commodity is reduced to labour; the amount of paid labour embodied in the commodity constitutes wages, consequently the surplus over and above it constitutes unpaid labour ..."^[44] But to determine the surplus value it was first of all necessary to determine the 'value of labour' (a term coined by the bourgeois economists), for the surplus value appears as a surplus above and beyond the 'value of labour'. In Ricardo's theory, the value is determined by the food necessary for the maintenance of the workers and the reproduction of their kind. But why was the value of labour determined in precisely this way? Ricardo explained this by saying that the law of supply and demand reduces the average price of labour to the means of existence necessary for the maintenance of the worker. "He determines here the *value*, in a basic point of the system as a whole, by *supply and demand*"^[45], i.e., Ricardo really disassociates himself from the theory of labour value.

Marx analyzed the theory of the standard authors in this decisive question and remarked that Ricardo "instead of labour, should have spoken of labour *power*. But this would have represented *capital* as the real conditions of work confronting the worker as an independent power. And capital would have immediately been represented as a *specific social relation*. Thus for Ricardo it is distinguished only as 'accumulated labour' from 'immediate labour'.

"And (it) is something merely factual, merely an element in the *labour process*, from which the relation of labour and capital, wages and profit, can never be developed."^[46] Here we have a model example of Marx's constructive critical approach. In the confrontation with Ricardo, Marx developed his own theory of labour-power as a commodity which, as noted before, had already been elaborated in "Grundrisse".

2. Marx analyzes the "dogma of Smith and Ricardo", which states that value and price of production are identical, and shows that in Ricardo there is in actual fact a distinction between these two terms. "It is curious", says Marx, "how Ricardo at the end almost touches on what is correct with the word but does not take it further..."^[47] Marx quotes the places in Ricardo's book in which there is in fact a distinction between value and price of production (a distinction which Ricardo himself did not grasp and did not develop) and then goes on to give his own answer to the problem, formulating his theory of average profit and of the price of production.^[48]

From these examples, it is clearly evident that Marx worked out the political economy of the working class by overcoming the limitations of bourgeois economic theory.

Now, after everything which has been said, we can turn our attention to the main part of the manuscript of 1861/63-the "Theories of Surplus-Value"-and follow the process in which Marx elaborated his theory of average profit and price of production and his theory of land-rent.

Footnotes

[1] K. Marx, letter to Lassalle of 12 Noyember 1858, in: K. Marx/F. Engels, Werke, Bd. 20, p. 566.

[2] K. Marx, letter to Weydemeyer of 1 February 1859, in: K. Marx/F. Engels, Werke, Bd. 29,

p. 573.

[3] Ibid.

[4] K. Marx, letter to Engels of 22 July 1859, in; K. Marx/F. Engels, Werke, Bd. 29, p. 463.

[5] K. Marx, letter to Kugelmann of 28 December 1862, in: K. Marx/F. Engels, Werke, Bd. 30, Dietz Verlag, Berlin 1964, p. 640.

[6] K. Marx, letter to Engels of the 16 May 1868, in: K. Marx/F. Engels, Werke, Bd. 32, Dietz Verlag, Berlin 1965, p. 88.

[7] Cf. K. Marx, Capital Vol. 1, Preface to the first German edition, l. c., p. 8.

[8] Cf. K. Marx, letter to Kugelmann .of 28 December 1862, 1. c., p. 640.

[9] Cf. K, Marx, letter to Engels of 2 April 1858, in; Marx/Engels, Selected Correspondence, I. r.

[10] K. Marx, letter to Lassalle of 15 September 1860, in: K. Marx/F. Engels, Werke, Bd. 30,

p. 565.

[11] K. Marx, letter to Lassalle of 28 March 185.9, in: K. Marx/F. Engels, Werke, Bd. 29, p. 586.

[12] K. Marx. letter to Engels, written between 13 and 15 January 1859, in: K. Marx/F. Engels, Werke, Dd.. 29, p. 383..

[13] K. Marx, letter to Engels of 22 July 1859, in: K. Marx/F. Engels, Werke, Bd. 29, p. 463.

[14] E. Engels, letter to Marx of 31 January 1860, in: K. Marx/F. Engels, Werke, Bd. 30, p. 15.

[15] K. Marx, letter to Engels of 15 August 1863, in: K. Marx/F. Engels, Werke, Bd. 39, p. 368.

[16] L. A. Leontyev, [On the Preliminary Version of Marx's *Capital*], Moscow 1946, p.75

[17] K. Marx.. Grundrisse der Kritik der politischen Ökonomie, 1. c., p. 288.

[18] Ibid., p. 150.

[19] Ibid., p. 452.

[20] Ibid., p. 653.

[21] Ibid., p. 648 ff

[22] Ibid., p. 633.

[23] Ibid., p. 634.

[24] Ibid., p. 635.

[25] Ibid., p. 636.

[26] Ibid., p. 633.

[27] Cf. ibid., p. 338 f.

[28] Ibid., p. 327.

[29] Ibid., p. 525.

[30] Careful study of the text. of the manuscript revealed that on page 220 of "Grundrisse", where the term 'Produktionspreis' appears three times (in lines 7, 30 and 40), a mistake in the deciphering of the text had been made. In all three cases, Marx had not written 'Produktionspreis' (price of production) but 'Produktionsprozess' (production-process). On page 114 (line 45), Marx uses the term 'price of production' in the sense of the immanent costs of production of the commodity which are equal to its value,

- [31] K. Marx, A Contribution to the Critique of Political Economy, 1. c., p. 62.
- [32] K. Marx, letter to Lassalle of 11 March 1858, in: K. Marx/P. Engels, Werke, Bd. 29, p. 554.
- [33] Cf. K. Marx, A Contribution to the Critique of Political Economy, 1. c., 62.
- [34] Cf. K. Marx, letter to Engels of 9 August 1862, in: Marx/Engels, Selected Correspondence, 1. c.
- [35] K. Marx, Theorien uber den Mehrwert, 1. Tell, 1. c., p. 61
- [36] Cf. K. Marx. Theories of Surplus-value, Part, III, 1. c., p. 237.
- [37] Cf. K. Marx. letter to Engels of 18 June 1862, in: Marx/Engels, Selected Correspondence, 1.c., p. 156; cf. K. Marx, letter to Engels of 2 August 1862, in: *ibid.*, p. 157; cf. X. Marx, letter to Engels of 9 August 1862, in: *ibid.*, p. 126.
- [38] K. Marx, letter to Kugelmann of 28 December 1862, in: K. Marx; Letters to Dr. Kugelmann, Martin. Lawrence Ltd., London (no date available).
- [39] F. Engels, letter to Schmuilov of 7 February 1893, 'in: K. Marx/F. Engels, Briefe uber ." Das Kapital", Dietz Verlag, Berlin 1954, p. 360.
- [40] K. Marx, Theorien uber den Mehrwert, 2. Teil, 1. c., p. 107.
- [41] K. Marx, Theorien uber den Mehrwert, 2. Teil, I. c., p.160.
- [42] K. Marx, *ibid.*, Teil, 1. c., p. 160.
- [43] Cf. *ibid.* p. 370.
- [44] K. Marx, Theories of Surplus-Value, Part III, 1. c., p. 500.
- [45] K. Marx. Theorien uber den Mehrwert, Teil, 1. c., p. 397.
- [46] *Ibid*, p. 397 f
- [47] *Ibid.* p. 189.
- [48] Cf. *ibid.* p. 189 f.

Chapter 6

Market-value and its law of motion. The "false social value". The discovery of production-price. Two kinds of competition and the twofold movement of the equalization of prices. The method of scientific abstraction in Marx's investigations.

From value to price of production

We turn now to the parts of "Theories of Surplus-Value" in which Marx worked out the theory of average profit and price of production. We shall see how Marx, step by step, progressed from value to market-value and from this to the price of production.

In "Theories of Surplus-Value", Marx characterizes value as "a specific social form of human activity (labour)..."[1] The social character of labour is quite definitely stressed here. "As values", says Marx, "commodities are social magnitudes, that is to say, something absolutely different from their `properties' as `things' ". As values, they constitute only relations of men in their productive activity."[2]

When value-creating labour is characterized in the qualitative respect as social labour, its quantitative distinctness automatically follows from this. It consists in the fact that commodities only contain that quantum of labour or labour-time which is socially necessary to produce them.

To be able to progress from value to price of production, Marx first of all had to specify the concept of value for the conditions of the capitalist mode of production since under these conditions value continues to develop. Marx noted that "thus the full potential of this quite simple category does not emerge historically in the most advanced phases of society..."[3] Indeed, only in capitalism does the commodity form of the labour-product become generalized, only here does it become the basis of the mode of production itself. Even labour-power becomes a commodity. "Thus in capital", writes Marx, "the independent existence of value is raised to a higher power than in money."[4] This is why it is precisely from the conditions of capitalist production that Marx develops the law of value.[5]

Marx shows that commodities, as products of capitalist production, differ considerably from the commodities produced in a simple commodity economy. The product of private labour appears in the capitalist mode of production as part of the total social production not just because it is some part of the total quantity of goods. This was also the case before the predominance of capitalist production relations. In capitalism, "Each individual commodity represents a definite portion of capital and of the surplus-value

created by it." [6] In capitalism, social division of labour develops to such an extent that the mass of labour-products enter the production process as commodities, as articles of trade, and emerge again from it as commodities. This establishes a close connection between all branches of capitalist production. To realize the whole of the surplus-value created in the production process and embodied in the commodities, the whole mass of the commodities of the branch in question must be sold at a social value corresponding to the value of the capital advanced in this branch plus the surplus-value. It is necessary here that all the commodities of the branch should be sold at this value. If only some of the commodities are sold, this means in actual fact that each commodity is sold at less than its value and that consequently the surplus-value is not realized, or not in full, in the branch in question. It may even be that the capital advanced cannot be fully replaced.

Therefore, in the capitalist mode of production, the concept of socially necessary labour-time undergoes a fundamental change. Even when only the socially necessary labour-time has been expended for the individual part of the total product of the branch in question but the quantity of labour for the branch as a whole was too much, i.e., exceeded the socially necessary quantum, then the social value of the commodities of this branch is less than the sum of their individual values.

Marx thus investigates how the value is specified by the conditions of capitalist production, drawing a distinction between the social and the individual value of the product. The value of the individual product is constituted by the social value of the total mass of products of the branch in question. The social value of the product-unit is equal to the total social value produced in the branch divided by the number of product-units.

As Marx shows, it is also necessary to distinguish between *socially necessary* and *individually necessary* labour-time. [7] The one is based on the social, the other on the individual value. When a surplus quantum of products is produced in the branch in question, although only the (individually) necessary labour-time has been expended for every product-unit, the total quantum of the individually necessary labour-time is greater than the socially necessary labour-time. In this case, the social value of the product of the branch in question is less than its individual value.

The social value of the commodities of a branch determined in this manner was termed 'market-value' by Marx. "This *common* value is the *market-value* of these commodities: the value at which they appear on the market." [8]

Marx stresses above all the social character of market-value.

Market-value is the product of specifically capitalist conditions, the result of capitalist competition within the branch in question. "But the fact that the average of production conditions determines the *market-price* and thus raises the price of production, which is

less than this average, above its price and even *value* (Marx means here the individual value of the product-V. V.) derives from the *competitive* nature of *capitalist production* and is consequently not a natural but a social law."[9]

Marx speaks here of the "average of the production conditions" which determine the market-value in the branch in question when they coincide with the general conditions of production of the branch in question. Market-value is thus not always and under all conditions determined by average conditions. Marx divides the individual or special production conditions of the branch in question into three main groups: 1. Producers who produce under better conditions than the average: the productivity of their labour is above the average of their branch; 2. Producers who work under individual conditions of production which coincide with the general or average conditions of the branch: the productivity of their labour is at the average level of the branch; 3. Producers who work under conditions which are worse than the average: the productivity of their labour is less than the average of the branch. The market-value can fluctuate within the limits which are set by the individual value of the products of the first group and the individual value of the products of the third group.

Competition within the branch establishes a certain level of market value within these limits. In this connection, Marx notes that "It will accordingly depend on the numerical relation or the proportional ratio of size of the classes (as to) which (of them) definitively settles the average value."[10]

Marx stresses that market-value cannot exceed the limits mentioned: "This market-value itself can *never be greater* than the individual value of the product of the *least productive* class. If it were higher this would only show that the *market-price* is higher than the *market-value*. The market-value, however must represent real value."[11]

It is, of course, clear that market-value can never be less than the individual value of the most productive class either.

The limits within which market-value can fluctuate are determined by the determination of market-value itself since market-value is determined by "the *total of the social labour-time* which the *total of commodities of this particular social production sphere* requires . . ."[12] Within which limits does the total social labour-time vary? If it is assumed that all the capitalists of the branch in question belong to the third group, then the total social labour-time is equal to the sum of the individual labour-times which all the capitalists have expended.

This is the maximum total amount of social labour-time which is possible at all. Conversely, if all the capitalists of the branch in question belong to the first group, the total social labour-time is at the minimum level and is equal to the sum of the individual labour-times which the capitalists of this group have expended. In the normal state of affairs where all, three groups of capitalists exist in the branch of production in

question, the total social labour-time is somewhere between the minimum and the maximum levels. It then depends on the, share of the one or other group of capitalists in the total product of the sphere of production as to whether the total labour-time tends towards its minimum or maximum figure.

From Marx's definition of market-value, it follows that the magnitude of total socially necessary labour-time and thus the magnitude of market-value also depend on the specific importance of the particular branch in the system of social production as a whole. When average production conditions predominate in the branch in question but the total quantity of products exceeds the socially necessary time which has been 'allocated' to this branch in the system of social production, the market-value of the products is not measured by the average but by the best production conditions, irrespective of the fact that the majority of products of the branch have been produced under average conditions.

But be that as it may, the market-value can only vary within the same limits as the individual value of the products of the branch in question. "Market-value", Marx emphasized, "cannot be *higher than, itself*."^[13] The difference between market-value and individual value accordingly does not at all imply a violation of the law of value-it "can never follow from the value being *independently* determined by the labour quantum which is used in this sphere in general."^[14]

Having defined in this way market-value and the limits within which it can fluctuate, Marx analyzes competition within a branch of production. This competition establishes the standard market-value for the branch in question and enables capitalists belonging to the first group to achieve a surplus profit, an extra surplus-value. Under the conditions of free competition, this surplus profit is of a temporary, transient character: it disappears as soon as the 'backward' groups of capitalists succeed in introducing new technical developments, in improving production conditions, in overcoming their backwardness and thus in drawing level with the capitalists of the first group. But the fact that the extra surplus-value is transient in nature does not mean that it disappears as such. It is only that now it is no longer the prerogative of the individual capitalist but of all the capitalists.

In other words, there is a constant change in the composition of the three main groups of producers mentioned above. Under the conditions of totally unrestricted competition, it is possible for every capitalist to achieve surplus profit. The struggle for this surplus profit is the chief driving force of competition within each sphere of production.

The capitalists of the first group have the best conditions for the competitive struggle within the branch. They have the highest labour productivity and dominate the market from which they force out the products of other capitalists since the market-value tends towards the individual value of the first group.

From all this there follows an important characteristic of market-value: it is not a factor in the redistribution of value and surplus-value; it represents the value actually produced, but produced under capitalist conditions with all the contradictions which result therefrom.

Under the conditions of capitalist competition, the social character of value can be expressed solely by the fact that a uniform market-value emerges for commodities of the same kind. As is shown by Marx, this necessarily follows from the fact that market-value in capitalism is not infrequently a "false social value". In the third volume of "Capital"; Marx writes that : "This is determination by market-value as it asserts itself on the basis of capitalist production through competition; the latter creates a false social value"[15]

In the capitalist mode of production, the market-value of the product is dissociated from the labour-time actually contained in it; social value, market-value, becomes distinct from individual value. This results from the-fact that the contradictions inherent in capitalism between abstract and concrete labour, between value and use-value, have developed further.

Marx illustrates the process in which the "false social value" is formed by two examples.[16]

Assuming that there are four groups of capitalists with different production conditions in the branch in question; let us say that the second group supplies 60 % of all the products of the branch, which is why it will also determine market-value. With the aid of the following table, Marx now explains how market-value is established.

| Number of product-units | Individual value of product-unit | Market-value of product-unit | Individual value of total product | Market-value of total product |
|--------------------------------|---|-------------------------------------|--|--------------------------------------|
| 1 | 60 | 30 | 60 | 30 |
| 12 | 30 | 30 | 360 | 360 |
| 3 | 20 | 30 | 60 | 90 |
| 4 | 15 | 30 | 60 | 120 |
| 20 | average value of product-unit = 27 | | 540 | 600 |

The market-value of a product-unit is equal to 30 money-units while the average value (540: 20) only equals 27 units. The gap between the market-value and the individual value appears here as a difference in relation to the amount of 60 money-units. In forming differential rent under the specific conditions of capitalist agriculture, this gap is significantly greater.

From this gap between individual and market-value, it follows that the products of the branch in question are not sold for the labour-time actually expended but for a higher price. Society loses part of its resources with which it pays the surplus profit of the capitalists. This explains the contradictory character of market-value as well and led Marx to call it "false social value".

Another example. Let it be assumed that the market-value of the product-unit is equal to 20 money-units; the capital, for which the individual value of the product coincides with the market-value, may be said to create a value of $80c + 20v + 20s = 120$ and to produce 6 product-units. The value of the product-unit is 20 units: four units replace the constant capital. Assuming that new machines are brought in so that with the same quantum of constant capital 10 instead of 6 product-units could be produced, the individual value of the product-unit in this case is 12 while the market-value is 20, as before. To replace the constant capital, 4 product-units are required as before and not $6\frac{2}{3}$ ($80: 12$) which would be necessary if the product were not sold at the market-value but at an individual value. In this way, the part of the product which under the previous conditions was needed to replace the value of the constant capital-assuming that the product was sold at its individual value-is converted into surplus-product.

How is this calculated? $6\frac{2}{3} - 4 = 2\frac{2}{3}$ product-units with an (individual) total value of $2\frac{2}{3} \times 12 = 32$ money-units is converted into surplus-product. Previously, 80 money-units of constant capital were required for the production of 6 product-units; now only $(80: 10) \times 6 = 48$ money-units are needed. Consequently $80 - 48 = 32$ money-units of the constant capital become available for conversion into surplus-product.

Marx notes the general character of this change which is present "with all surplus-profit".^[17] It illustrates the contradictory character of market-value which, in capitalism, is a means for individual capitalists to enrich themselves at the expense of society.

Even in "Grundrisse" Marx draws attention to the fact that with the same amount of capital invested in the various branches of production the quantity of surplus-value which is produced will vary and that, the main reason for this is that the organic composition of this capital is not the same in every case (Marx abstracts here from the sphere of circulation). From this it follows that the values of the commodities which are produced by capital advancements of the same magnitude differ considerably from each other and that when the commodities are sold at their values this would lead to different profit-rates. Now, in the manuscript of 1861/63 (in the "Theories of Surplus-Value"),

Marx works out the basis which enables him to make a more thorough investigation of the problem of average profit and price of production.

While Marx was investigating market-value, he took competition within the branch of production in question as his point of departure. Now he analyzes competition between capitalists of different branches of production where the capital advancements in the various branches appear as parts of the total social capital.

The share of the capital of a particular branch in total surplus-value, its profit, is regulated by its share in total capital. This regulating process follows from the competition 'between capitalists of the different branches of production and effects a redistribution of the surplus-value already produced. Marx writes "that it is the endeavour of the capitalists (but this endeavour is the competition) to distribute among themselves the quantum of unpaid labour which they squeeze out of the working class, not in the ratio in which a particular capital directly produces surplus labour but in the ratio, *firstly*, in which this particular capital- forms an aliquot part of total capital, *secondly*, in the ratio in which the total capital itself produces surplus labour".[18]

Marx consequently shows that the category of " average profit", unlike the category of "market-value", is a category of the distribution of the surplus-value between the different branches of production. The levelling of the surplus-value as average profit changes nothing as regards the total mass of surplus-value : the sum of the average profits is equal to the total surplus-value. Thus there is no violation here of the law of value. The average profit - through the agency of total surplus-value - is based on the fact that value is determined by labour-time. The magnitude of the average profit is also fixed by this. Marx writes that "The *determination of this surplus-value* follows only from the determination of the value of the labour-time. Without this, average profit is the *-average of nothing*, mere fancy. And it could then be just as easily 1,000 as 10 p.c."[19]

Marx had now established all the conditions necessary for investigating the category of "price of production", i.e., the converted form of value which, in the capitalist mode of production, forms the centre around which market-prices fluctuate. In capitalism (assuming unrestricted competition), commodities cannot be sold at their values-they have to be sold at their prices of production. Marx writes "that it is precisely *because* the value of a commodity is determined by labour-time that the average price of a commodity ... can *never* be equal to its value, although this determination of average price is only derived from the value based on the determination by labour-time."[20]

Price of production is equal to cost-price plus average profit. If Marx spoke before of individual and market value, he now draws a distinction between individual and market production price. Later (in Volume III of "Capital"), he stresses that "everything said concerning it (i.e., market-value) applies with appropriate modifications to the price of production..."[21]

Marx demonstrates that the surplus profit (extra surplus-value), which individual groups of capitalists in the various branches of production achieve, is equal to the difference between the individual and the market price of production. "Individual cost-price ...varies ... in the same ratio as individual value"[22], "... surplus-profit" is "always only excess of the market cost-price over individual cost-price, or excess of market value over individual value..."[23]

Let us take an example to explain this thesis of Marx. The market-value of the product of a particular branch is assumed to be $80c + 20v + 20s = 120$. When in this branch a particular individual capital includes machines of a more advanced standard, its organic composition is consequently above the average in the branch (it can be double the average, for instance) and so its surplus-value rate is also higher. The individual value of the product of this capital is then $80c + 10v + 20s = 110$. The difference between individual value and market-value is 10. This difference coincides with the difference between market cost-price and the individual cost-price (100-90).

Let it be assumed that the average profit rate is 15%. The market price of production is then 115 while the individual production-price is 103.5 ($90 + (15/100 \times 90)$). The difference between the individual and the market price of production is 11.5, i.e., it does not coincide exactly with the difference between the individual value and the market-value of the product and is not the same as the difference between the individual cost-price and the market cost-price either. This is explained by the fact that the difference 'between the individual and the market price of production is regulated not only by the difference between the individual and the market cost-price but also by the level of the general profit rate. With a low general profit rate (say 10 %), this difference would amount to 11; if the general profit rate were 5 %, the difference between the individual production-price and the market production-price would be $10\frac{1}{2}$, i.e., it would be closer still to the difference between the individual and the market value of the product.

A brief indication can now be given of the results which Marx obtained in his investigation of average profit and price of production. In "Theories of Surplus-Value", he states that the twofold effect of competition (within a particular branch and between different branches) results in two kinds of capital migration and a "twofold movement in the levelling[24] of prices.

The first kind of capital migration produces "the *general level of price* in the same employment and the *general level of profit* between different employments".[25] The individual values of the commodities are converted into market-values and prices of production. These movements should not be conceived as though the individual values were first converted into market-values and that then market-value was converted into market price of production.

Competition within the various branches and competition between them act simultaneously. The most important consequence of- this simultaneous action is that the

values are converted into prices of production. So that a correct analysis of these relations can be made, Marx first examines competition within the various branches and then between them. This clearly shows that competition within the individual branches converts the individual values into market-value and that competition between the various branches, on the other hand, converts individual values into individual prices of production- and market-value into the market price of production. The overall result of the twofold action of competition is that the values are converted into, prices of production but this is not the total effect.

The -second kind of capital migration, which is likewise the result of the twofold action of competition and was called a "surface movement"[26] by Marx, causes market-prices (Marx terms them "real market-prices"[27] because they are the prices which actually exist on the surface-on the commodity market) to be levelled out with the prices of production which now form the centre around which market-prices fluctuate.

In its totality, the effect of this migration of capital is that it converts the values into prices of production and levels out deviations of the market-prices from the prices of production under the concrete conditions of capitalist competition so " that the total mass of the social labour-time is distributed according to social need *among the different spheres of production*".[28]

It will have already been noted that, from time to time and to the extent that the material accumulates, digressions from the general course of the description are made to illustrate the method used by Marx in his economic enquires. This is also the case at this point.

Of course it is primarily the task of philosophy to study Marx's method in all its aspects. In the present book, only a few of the characteristic features of Marx's method of concrete economic research will be examined.

The point of interest here is how Marx applies the method of abstraction in concrete economic research. Marx and Lenin have described this method of economic research in a number of places. Marx writes that "In the analysis of economic forms, moreover, neither microscopes nor chemical reagents are of use. The force of abstraction must replace both."[29] And Lenin remarks that "Thinking which progresses from the concrete to the abstract-when it is *correct*-does not move away from the truth but moves closer to it ... all scientific ... abstractions reflect Nature more profoundly, more correctly and *more completely*. From actual observation to abstract thinking and *from this to action*-this is the dialectical approach to the perception of *truth*, to the perception of objective reality."[30] This indicates that Lenin considered the method of abstraction to be a correct method of theoretical research, correct also in the sense that a theory evolved from the correct application of this method is also a true reflection of reality. Marx repeatedly states that political economy is the theoretical expression of the

capitalist mode of production, referring of course to the scientific political economy of capitalism.

Why is it not possible to do without abstraction in scientific investigations? Because the essential nature and the outward manifestations of things do not coincide. Understanding the essential nature of things is precisely the task of science. One way of performing this task is the use of the method of scientific abstraction.

Of course, it is not enough simply to characterize Marx's method of economic research as a method of scientific abstraction. If this method is to be described in full, special attention must be devoted to the question of the extent to which abstraction is employed in any particular case.

There is no ready-made answer to this problem, but one thing is certain: Marx always abstracts only from those circumstances which are of secondary importance for the case in question and only hinder investigation of economic phenomena. Without this abstracting, it would simply be impossible to study economic problems since the nature of the phenomenon would remain hidden under numerous features of minor significance. It should be noted, however, that the secondary circumstances from which Marx abstracts are only secondary in a specific connection. Seen from another aspect, on the other hand, they can be of first-rate importance so that abstracting from them would be quite inadmissible.

Let us take an example which illustrates this. If it is a question of abstract. examination of bourgeois society, foreign trade must be disregarded.[31] Foreign trade does indeed play a mighty role in capitalism but is an external factor as regards this question. This is why Marx, in all major aspects, sets out the theory of the capitalist mode of production without reference to foreign trade. It is sufficient to recall how successfully Marx was able to explain the process of extended reproduction in capitalism solely from its internal conditions. Lenin defended and justified this thesis of Marx in his struggle against the Narodniki.

Marx certainly abstracts from foreign trade but emphasizes at the same time that foreign-trade and the world market are "at once the pre-condition and the result of capitalist production".[32] Considered realistically, in its concrete conditions of existence, it would be extremely difficult for capitalist production if there were no foreign trade. Marx writes as follows about this: "If surplus labour or surplus-value were represented only in the national surplus product, then increase of value for the sake of value and therefore exaction of surplus-labour would be restricted by the limited, narrow circle of use-values in which the value of the (national) labour would be represented. But it is foreign trade which develops its (the surplus product's) real nature as value..."[33] Without foreign trade and the world market, it would be extremely difficult for capitalists to make a profit.

The concrete, historical character of the scientific abstractions which Marx makes is clearly evident in this example. Foreign trade, which is a secondary and incidental factor in the theory of extended reproduction, for instance, moves to the fore when it is a question of the concrete examination of the operating mechanism of capitalist production.

The function of abstraction is thus, at each stage of economic research, to disregard those factors which are external to the subject of investigation in question and to concentrate attention on the essential (inner) features of the phenomenon. For Marx, the general methodological principle was that capitalist production had to be analyzed in a pure form and this is apparent in his analysis of surplus-value in particular. As we have already seen, the starting point for Marx here is that surplus-value is to be considered in its 'pure' state, apart from its special forms.

Like many natural laws as well, all economic laws and categories and indeed all social laws take effect in real life as tendencies. Marx assumes, however, that the theoretical categories exactly reflect economic phenomena and accurately correspond to them, without forgetting for even a second that this agreement is only approximate.

Without this exception, theoretical analysis would be completely impossible. This is illustrated by the example of average profit of which Marx says that it "never appears as something directly given, but only as the average result of contradictory oscillations" and exists "only as a determining tendency in the movement of equalisation of the real, different rates of profit"[\[34\]](#). Nevertheless, Marx assumes in theory that average profit is a quite specific magnitude which can be measured exactly.

This special feature of Marx's method of abstraction is expressed most clearly in his assumption of the identity of the value and market-price of commodities. He says that "The price of these commodities may be assumed as equal to their value"[\[35\]](#) and that the value and price of commodities are "still set as identical here..."[\[36\]](#) This "here" applies not only to the "Theories of Surplus-Value" but also to the first three volumes of "Capital".

In the third volume of "Capital", Marx writes that "We proceed in this entire analysis from the assumption that the rise or fall in prices expresses actual fluctuations in value."[\[37\]](#) He does not yet consider here the conversion of value into prices of production. In the latter case, it would have had to be mentioned in the theory that market-prices and prices of production coincide.

At first sight, it seems that this condition contradicts the foundations of the Marxist theory of value. As we know, a basic thesis of this theory states that value and price are fundamentally different. In the first volume of "Capital", Marx writes that the "possibility, therefore, of quantitative incongruity between price and magnitude of value, or the deviation of the former from the latter, is inherent in the price-form

itself."^[38] It is precisely this difference between market-prices and value which illustrates the law of value under the conditions of a spontaneous capitalist commodity economy. Nevertheless, the pre-condition that the market-prices and the values of the commodities or - on a higher level of analysis - the market-prices and the prices of production of the commodities coincide is of major significance for Marx's theory of value. What is Marx saying exactly?

Primarily, he is saying that in the capitalist commodity economy the value of a commodity can only be expressed by its price, i.e., by the money-form of value. Value as such cannot be represented except by price. Price is the expression of the value since, to use Marx's words,^[39] "... the expression of the equivalence of a commodity with the sum of money constituting its price, is a tautology ..." ^[40] What causes the deviations of prices from values ? These follow from the spontaneity of the capitalist commodity economy, from the conditions under which commodities are realized, from the conditions under which they are sold. "... This exchange ratio of the commodity", writes Marx, "may express either the real magnitude of that commodity's value or the quantity of gold deviating from that value, for which, according to circumstances, it may be parted with."^[41] When price deviates from the value of a commodity, it is naturally no longer an adequate expression of the value.

When Marx sets himself the task of developing the theory of value although value, in capitalist commodity production, exists only in its expression as money, in the price-form, it is clear that he has to assume the coincidence of price and value since only in this case is the price an adequate form of expression of value.

Just as market-prices inevitably deviate from values in capitalist production, it is absolutely necessary to disregard these deviations and to assume that value is identical to market-price when it is a question of formulating the theory of abstract value. In this case, the conditions of realization of commodities-like foreign trade in the analysis of reproduction-are an incidental feature which obscures the real relationship.

With the theory of labour-value, Marx bases all the processes which take place in capitalist production on value. From this it follows that the categories associated with the direct production process must adequately reflect value (or the surplus-value as part of value). In the theory, account is taken of this requirement by the assumption that such categories directly express value. If they differ from value, then this is already a factor of distribution or redistribution, a circumstance of secondary importance. In this case, the theory of value requires that the total sum of the prices of production, for instance, or of market-prices is equal to the sum of values. An analogy can be drawn with the relation between value and market-price. Any deviation of the price from value means that value which has already been produced is redistributed. Only on the condition that price coincides with value does the price adequately express value and is a category of the direct production process. The theory of value can specify this requirement for the category of 'market-price' because, under normal conditions of free competition, it is

impossible for market-price to deviate permanently from the-value. If the converse were true, price would cease to be the adequate expression of value.

This also applies to the other categories of political economy which-reflect the direct production process. Profit, for example, although the converted form of surplus-value, is equal to the surplus-value and Marx notes that "surplus-value and profit are actually the same thing..."[42] As regards the conversion of profit into average profit and value into production-price, this is - as Marx proves - only a question of "the *distribution of the surplus-value made by capital as a whole* among the different trades or different capitals in different spheres of production"[43] Thus, in contrast to market-value and profit, average profit is. a category of distribution; the total sum of the average profits is, fully in accordance with the theory of value, equal to the total sum of the surplus-values. Consequently, average profit is ultimately determined by value and surplus-value... if it is not determined in this way, "average profit is the average *of nothing*, mere fancy".[44]

Price of production, on the other hand, is of a twofold character. It expresses the direct production process since one of its component-parts is the cost-price but; at the same time, it is also a category of distribution since it includes the average profit. The same applies to the relation between profit and surplus-value. Here it becomes apparent that distribution is only another aspect of production which is why exactly the same categories express both the production and also the distribution relations.

There is, however, a considerable difference between the categories of market-price, market-value and profit on the one hand and the categories of average profit and production-price on the other. Assuming normal conditions of competition, market-price is usually equal to value and profit equal to surplus-value. Average profit and production-price, however, are only the same as surplus-value and value in exceptional cases; as a rule, they deviate from surplus-value and from value. This also characterizes them as categories of distribution.

Two quotations of very great methodological interest from "Grundrisse" may supplement these remarks: "The fact that in practice, both as a general tendency and directly by means of *price*... capital seeks to cheat *necessary labour* by reducing it to below its level, both its natural level and that at a certain state of society, is not relevant here. We have to assume everywhere here that the *economically* justified labour-wage is paid, i.e., the wage determined by the general laws of economics. The contradictions must follow here from the general relations themselves; not from the swindles of individual capitalists. What further shape this takes in reality belongs to the doctrine of wages."[45] The second quotation reads as follows: "In the determination of price (as we shall see from profit as well) *fraud, mutual swindle*, is added to this. The one can gain in exchange what the other loses; they can distribute only the surplus profit among themselves..."[46]

The condition that market-prices are equal to values appears here as one of the most important requirements of Marx's theory of economics. The antagonistic contradiction between the working-class and the class of capitalists does not follow from the capitalist cheating the worker by selling him commodities at prices which are above their value, although this swindle too is widespread in capitalist reality. The antagonism between labour and capital derives from the surplus-value which the capitalist appropriates for himself without equivalent and, as Marx shows, despite this in strict accord with the law of the exchange of equivalents, with the law of value. The profit of the capitalists is also based on surplus-value. The profit which results from the fact that the market-prices of the commodities do not coincide with their values signifies only a redistribution of surplus-value.

In analysing the reproduction process, Marx abstracts from the disproportions associated with the capitalist form of this process. In capitalist reality, however; proportional production is "naturally never exactly the case..."[47] Nevertheless, in his investigations Marx assumes that proportional production does take place in capitalism: "... in this entire enquiry" it is "naturally always assumed that commodities are sold and sold at their values."[48] Realization as the main question of the theory of reproduction is therefore not a roughly understood problem of sales, as can be understood from the remarks made by Marx just quoted. In the theory of reproduction, it is much more a question of how all the component-parts of the product in their natural form and in a value-form are to be replaced and how the mutual agreement between the component-parts of the total social product can be established.

In his analysis of the process whereby average profit and production-price are formed, Marx abstracts from the fact that the working day is not equally long in the different branches of production.[49] If account is taken of these differences, it must also be accepted that the masses of surplus-value in the different branches are not the same either. The task, however, is to demonstrate what influence the different organic compositions have on the mass of surplus-value produced in the individual branches. This is why one must abstract from all the other factors which likewise have an effect on the magnitude of the surplus-value achieved in the branch in question.

In the theory of surplus-value and of profit, Marx also abstracts from "profit on alienation". But the real profit which the capitalists achieve in actual fact is "largely profit on alienation".[50] But in this case only the total profit is redistributed among individual capitalists which is why "profit on alienation" must be disregarded in the examination of the profit derived from the creation of surplus-value.

Footnotes

[1] K. Marx. Theorien uber den Mehrwert, 1. Teil, 1. c., p. 12.

[2] K. Marx, Theories of Surplus-Value, Part III, 1. c., p. 129.

[3] K. Marx, Introduction to A Contribution to the Critique of Political Economy, I. c., p. 208.

[4] K. Marx, Theories of Surplus-Value, Part III, 1. c., p. 131.

[5] Cf. *ibid.*, p. 71 (Cf. in this connection the beginning of the first volume of Capital which reads: "The wealth of those societies in which the capitalist mode of production prevails, presents itself as an 'immense accumulation of commodities' Our investigation must therefore begin with the analysis of a commodity." The uncompleted chapter on "Value" in "Grundrisse" also begins in a similar way.)

[6] *Ibid.*, p. 113.

[7] Cf. K. Marx, Theorien über den Mehrwert, 2. Teil, 1. c., p. 119,

[8] *Ibid.* p. 196 f.

[9] *Ibid.* p. 86.

[10] *Ibid.*, p. 196 (By "the numerical relation or the proportional ratio of size" of the variant groups of capitalists, Marx understands the proportional share which these groups have in the total product which comes on the market.)

[11] *Ibid.*, p. 260,

[12] *Ibid.*, p. 107.

[13] *Ibid.*, p. 263.

[14] *Ibid.*

[15] K. Marx, Capital, Vol. III, 1. c., p. 645. (although the term "false social value" does not yet appear in "Theories of Surplus-Value", Marx makes a detailed analysis here of how the market-value is disassociated from the individual value in capitalism.)

[16] Cf. K. Marx, Theorien über den Mehrwert, I. c., p. 263-265, 447-440. (For the sake of simplicity, the figures which Marx used have been slightly changed.)

[17] *Ibid.*, p. 449

[18] *Ibid.*, p. 21.

[19] *Ibid.*, p. 182.

[20] Ibid.. p. 20.

[21] K. Marx, Capital, Vol.III, l.c., p. 200.

[22] K. Marx. Theorien uber den Mehrwert, 2. Teil, I. c., p. 202.

[23] Ibid.,p. 311. (Marx often uses the terms `cost-price' or 'average price' in the same sense as 'price of production '.

[24] p. 115.

[25] Ibid., p. 200.

[26] Ibid., p. 201.

[27] Ibid.

[28] Ibid.

[29] K. Marx, Capital, Preface to the first edition, 1. c., p. 8.

[30] V. I, Lenin, Philosophische Hefte, in: Werke, Bd. 38, Dietz Verlag, Berlin 1964, p.160.

[31] K. Marx, Theorien uber den Mehrwert, 1. Teil, 1. p. 14,

[32] K. Marx, Theories of Surplus-value, Part III, 1. c., p. 253.

[33] Ibid.; p. 253.

[34] Ibid., p. 463.

[35] K. Marx, Theorien uber den Mehrwert,1, Teil, l.c., p. 75.

[36] Ibid., p. 63.

[37] K. Marx, Capital, Vol. III, l.c., p. 111.

[38] K. Marx, Capital, Vol. I., l.c., p. 102.

[39] cf. ibid., p. 101,

[40] Ibid.

[41] Ibid.-, p. 102.

[42] K. Marx, Capital, Vol. 1. l.c., p. 47.

[43] K. Marx, Theorien über den Mehrwert, 2. Teil, l. c., p. 191.

[44] Ibid., p. 182.

[45] Grundrisse der Kritik der politischen Ökonomie, l. c., p. 320.

[46] Ibid., p. 337.

[47] K. Marx. Theorien über den Mehrwert, 1. Teil, l.c., p. 194.

[48] Ibid., p. 99.

[49] K, Marx, Theorien über den Mehrwert. 2. Tell, 1. c., p. 19.

[50] K. Marx, Theories of Surplus-Valae, Part III, p. 498.

Chapter 7

What did Marx have to prove? Rent as an illustration of the difference between value and price of production. The theory of capitalist monopoly. Monopoly-price and the theory of value. The breaking of monopoly in capitalist agriculture. Examples of scientific abstraction in the theory of rent.

The completion of the theory of surplus-value

When we turn to the sections on "Theories on Surplus-Value" in which Marx elaborates his theory of average profit and price of production, it will be seen that the main place in these sections is taken by the theory of rent and especially by the theory of absolute rent. This is because land-rent plays a very special part in the economic theory of Marx. This is because the theory of absolute rent is primarily an inference from the theory of average profit and price of production and thus forms, as it were, the touchstone for the correctness of the latter. Marx's theory of average profit and price of production is based on the fundamental fact that value and price of production do not directly coincide and that only the sum of the prices of production is equal to the sum of the values.

The difference between value and price of production of agricultural products is absolute rent. Ricardo's theory of average profit and price of production is based, in contrast, on the assumption that value and price of production are identical. Thus, in contradiction with the facts, Ricardo denies the existence of absolute rent. In actual fact, if the price of agricultural products were also to yield an absolute rent in addition to the average profit, this price would then exceed the price of production and - according to the dogma which asserts the identity of value and price of production - the value as well. The result of this would be that the same quantum of labour in agriculture would create greater value than in industry, which would be an obvious violation of the law of value. "Consequently the value of commodities would not be determined by the quantum of labour which they contain. The whole foundation of economics would be overturned by this."^[1] In the view of Ricardo, since absolute land-rent was impossible and only differential rent could exist, this confirms the general validity of the law of value. In the desire to 'save' the law of value, Ricardo did not admit of absolute land-rent although capitalist reality obviously contradicted this.

In his theory of absolute rent, Marx found confirmation of the theory of average profit and price of production. At the same time, the theory of absolute rent is evidence that the initial thesis of Smith and Ricardo, which asserts the identity of value and production-price, is incorrect. The function performed by the theory of rent in the

substantiation of the theory of average profit and production-price is described by Marx in a letter to Engels of 9th August 1862 in the following words : "The only thing I have got to prove *theoretically* is the possibility of absolute rent, without violating the law of value. This is the point around which the theoretical controversy has turned from the days of the physiocrats up till now. Ricardo denies this possibility, I affirm it. I maintain at the same time that his denial is based upon a theoretically false dogma taken over from Adam Smith - the assumed identity of *cost-prices* and *values of commodities*." [2]

Marx defines absolute rent as the difference between value and price of production and thus demonstrates that the law of average profit and price of production operates on the basis of the law of value and therefore does not contradict this at all, which was what the standard authors of bourgeois political economy believed. This is an important element in the development of the Marxist theory of value and surplus-value and in the substantiation of the Marxist theory of economics in general.

All this explains why Marx, in "Theories of Surplus-Value ", concentrated his attention on the problem of absolute rent while in the third volume of "Capital" it is principally a question of differential rent. In the third volume of "Capital", Marx presents land-rent as one of the derived forms of surplus-value. He begins with differential rent, which is an adequate expression of the capitalist mode of production, while absolute rent and the class of landowners based on it appear as superfluous from the standpoint of capitalist production. The particular structure of "Theories of Surplus-Value", in which the specific problems of the theory of rent are linked with general questions of the theory of value and surplus-value, of average profit and price of production, accordingly results from the task assigned to the theory of rent in substantiating Marx's economic theory in general.

An analogy can be drawn here with the theory of money. The theory of money performs the same function in substantiating the theory of value as the theory of rent in substantiating the theory of average profit and price of production. And in the same way that Marx began to elaborate his theory of value in the course of his criticism of Proudhon's theory of money, it is the critique of the theory of rent formulated by the German bourgeois economist Rodbertus that precedes the theory of average profit and price of production. Rodbertus tried to draw up a theory of absolute rent. Marx gives a detailed analysis of this attempt in a special chapter .of "Theories on Surplus-Value" centred on absolute rent.[3] Marx demonstrates that Rodbertus's failure stems from his acceptance of the "dogma of Smith and Ricardo" in the question of the relation of value and price of production which forms the starting point for the theory of absolute rent.

Here, too, Marx proceeds in his analysis first from the concrete to the abstract: as from money to value, so from rent to average profit and price of production.

The theory of average profit and price of production assumes in it general (abstract) form that there are no obstacles at all to free competition in either of its forms.

Capitalist agriculture is a branch of capitalist production in which the monopoly of private ownership of land leads to a partial restriction of competition. In the theory of land-rent, as described in "Theories on Surplus-Value", the general theory of average profit and price of production is applied to a specific case which is characterized by the fact that monopoly exists and is operating. In the draft for the third part, i.e., for the future third volume of "Capital", dating from the period when Marx was working on the manuscript of 1861/63, Marx gives the heading of "Land-rent (illustration of the difference between value and price of production)" [4] to the section on rent. Also in a letter to Engels of 2nd August 1862, Marx designates rent as an "illustration" [5] of the law of average profit and price of production. In "Theories of Surplus-Value", Marx sets out his law of absolute land-rent and makes the following remark: "This would be the law developed by me in general applied to a specific industry", [6] namely, the law of average profit and production-price. Thus, in the form in which it was developed in the manuscript of 1861/63, the theory of rent is directly related to the theory of average profit and price of production and consequently to the completion of Marx's theory of surplus-value as well. All this obliges us to examine in detail how Marx worked out this theory but only, of course, to the extent that this is done in the manuscript of 1861/63 and, then only as regards those parts which are directly related to the problem of average profit and price of production.

The function performed by the theory of rent, in Marx's economic theory in general does not solely consist, of course, in what has already been said. In the theory of rent Marx developed his theory of monopoly in capitalism, his theory of capitalist monopoly within the capitalist mode of production, on the basis of a specific example.

Pr-monomopolistic capitalism is often described -as the capitalism of free competition but this does not signify that such competition exists apart from and without monopoly. In fact, the capitalist mode of production as a whole is based on monopoly of ownership of the principal means of production by the entire ruling class - the class of capitalists. Marx writes that "the monopoly of capital alone enables the capitalist to extract surplus-labour from the worker." [7] This is why the theory of rent, as developed in "Theories of Surplus-Value", goes far beyond the limits of its actual subject. For Marx, it signified the completion of his theory of value and surplus-value.

In the theory of absolute rent, Marx takes as his point of departure two fundamental facts which characterize capitalist agriculture: private ownership of the land (the monopoly of private ownership of the land as the most important production-condition) and the circumstance that the organic composition of capital here is lower than in industry. The second fact means that capitalist agriculture, as regards the level of development of the productive forces, of labour productivity, lags behind industry. The consequence of the low organic composition of capital in agriculture is that the surplus-value which is produced in it exceeds the level of average profit in capitalist production as a whole and that, as a result the market-value of agricultural products is greater than their social price of production.

Private ownership of the land prevents the extra surplus-value achieved in agriculture from coming within the control of the capitalist class as a whole and thus increasing average profit. Agriculture, as a branch of capitalist production, does not participate in forming the general profit-rate and agricultural products are sold at their market-value, not at their production-price. Like the wall of a fortress, monopoly of the private ownership of the land protects the agricultural sector, as a sphere of capitalist production, from the action of competition between the various branches of production. But this competition is raging in front of the walls of the fortress which means that the difference between market-value and social price of production does not benefit the agrarian capitalists at all since, if this were so, they would be in a privileged position as compared with the capitalist class as a whole; but competition between the different branches cannot permit this. This is why the whole of the extra surplus-value passes as absolute rent into the control of the landowners who only then enable agriculture, as a branch of production, to occupy a genuine monopoly position.

It may be seen here that Marx derives his theory of absolute rent directly from the theory of average profit and, price of production, especially from the principal fact on which this theory is based, i.e. the difference between value and price of production.

Whereas absolute rent results from monopoly of the private ownership of land and from the lower labour productivity of agriculture as compared with industry, differential rent - as Marx shows - results from the monopoly of the capitalist cultivation of the land (from the predominance of capitalist relations in agriculture) and from the better areas of land with higher productivity being limited and being unable, at the prevailing price of production, to satisfy the social demand for agricultural products.

Under these conditions, it is the individual value and the individual price of production of the products of the worst areas of land which determine the market-value and the social price of production of agricultural products. The consequence of this is that the capitalists who farm on more fertile areas achieve a surplus-profit •(extra surplus-value) which is equal to the difference between the social and the individual price of production. This surplus-profit forms the differential rent which, under conditions of private ownership of the land, is appropriated by landowners.

From Marx's theory of rent it follows that both the absolute and the differential rent as well result from the labour of the agricultural worker. With absolute rent this is obvious since it originates from the surplus of the value of the product obtained in agriculture by way of its price of production.. Absolute rent, writes Marx, derives from the fact "that agricultural capital, in relation to the constant part of capital, sets a greater quantity of labour in motion than does average capital in non-agricultural industry." [8]

Differential rent, on the other hand, results from the higher productivity of agricultural workers on more fertile areas of land. In connection with this, Marx notes that "The work of the labourer working on more fertile soil is more productive than that of a man

working on less fertile soil ... The surplus-value contained in the additional amount of his product, the greater relative productivity of his labour, or the differential surplus-labour performed by him, is pocketed by the landlord. "[9]

Marx reveals here the essential difference between absolute rent and differential rent: whereas absolute rent is due to the lower productivity of agriculture as a branch of the economy in comparison with industry, differential rent reflects the greater productivity of some capital advancements in agriculture in comparison with other capital advancements in the same branch of production.

Marx's theory of land-rent is based on the distinction which is drawn in agriculture between two kinds of monopoly : the monopoly of the private ownership of land and the monopoly of capitalist cultivation of the land. It may be recalled here that Lenin, in "The Agrarian Question and the Critics of Marx " which was published in 1901., examined the two kinds of monopolies in agriculture independently. (The "Theories of Surplus-Value" had not been published at that time and consequently could not have been known to Lenin). The expression "monopoly of the capitalist cultivation of the land" comes from Lenin, In a note to the new edition of his book, Lenin wrote that "Marx gives an explanation of absolute rent which confirms the correctness of my interpretation (particularly in regard to the-two forms of monopoly)" in capitalist agriculture.[10]

The fact that Marx distinguishes between two kinds of monopoly in capitalist agriculture is of great significance since by this it is possible to draw an exact line between absolute rent and differential rent and to determine the character of the production relations which are expressed in the two kinds of rent, i.e., the specifically capitalist character of differential rent and the feudal character of absolute rent. This distinction was the theoretical foundation on which Lenin elaborated his programme of land nationalization.

So far as absolute rent and differential rent are based on private ownership of landed property, they are, as Marx says, a "necessary product" of the capitalist mode of production.[11] In capitalism, of course, since it is based on private ownership of the means of production, it is impossible completely to eliminate private ownership of land. "If landed property were *national property*" says Marx, "the basis of capitalist production would completely cease to exist..."[12]

Marx shows that differential rent in capitalism is determined by capitalist forms of ownership and to this extent is characteristic of capitalism. Absolute rent, however, is closely associated in capitalism with the relation between labour productivity in agriculture and labour productivity in industry. He remarked that the more rapid development of industry in comparison with agriculture is "an historical phenomenon" which demonstrates "the extremely queer development of bourgeois production and the contradictions inherent it".[13] Marx draws attention to the fact that originally (in

Antiquity and the Middle Ages) agriculture was more productive than industry "because here a machine set up by Nature",^[14] i.e., the earth, the soil, was involved whereas production with machines did not yet exist. In the period in which large-scale mechanized production then developed, the industrial sector grew more rapidly than agriculture even though this was to a limited extent due to the expropriation of the rural population and a significant improvement in the organic composition of capital in agriculture. In the future, however, as Marx notes, to the extent that concentration of capital in agriculture increases and chemistry, geology and physiology develop - "sciences which to a fairly high degree are *directly* specific foundations for agriculture as much as for industry" ;of which the "really scientific foundation" is mechanics - , to this extent "the productivity of agriculture" must "increase relatively more rapidly than that of industry".^[15] If productivity in agriculture were to equal that of industry and as a consequence the organic composition of capital in agriculture were to attain the same level as in industry, absolute rent would have to disappear. Marx quite definitely says about this that land-rent results from "an *historical difference* in the organic component-parts of capital (in industry and in agriculture - V. V.) which can be levelled out to some extent and can even disappear completely with the development of agriculture."^[16]

Having developed the theory of rent, Marx then shows that the two kinds of monopoly existing in-capitalist agriculture are two kinds of a specifically capitalist monopoly, special cases of the monopoly which is characteristic of capitalist production as a whole. He states that it concerns a monopoly "as found in all spheres of industry" which "establishes itself only in this one (i.e., in agriculture) and thus assumes the form of rent which differs from surplus-profit".^[17]

Marx refers here to the process whereby the market-value and the social price of production are formed. Both are formed as a consequence of capitalist competition - within a branch and between different branches. But this competition operates under conditions of monopoly of capitalist ownership -of the means of production (under conditions of the monopoly of capitalist cultivation). For this reason, products of the same kind which are on the market at the same time must have the same market-value, the same social price of production and, consequently, the same market-price as well. The sum of the social prices of production of the products of all branches here is equal to the total market-value of these products. The social price of production ensures that the entire capitalist class achieves an average profit. The level of market-value and of social price of production is fixed, however, by the group of capitalists which dominates the market and achieves a surplus-profit.

These are manifestations of capitalist monopoly. They express: 1. the monopoly of ownership of the means of production possessed by the entire capitalist class and 2. the monopoly position of individual groups of capitalists within this class which dominate the market. The special feature of this monopoly of capitalist cultivation is that it is not tied to certain individual capitalists or groups of capitalists. All capitalists here have formally the same opportunities, theoretically they all have a chance of finding

themselves in a monopoly position for a certain time and they can all achieve surplus-profit. The only exception here is agriculture in which the monopoly position of landowners (the owners of the main condition of production condition) and, through the landowners, the monopoly position of all agrarian capitalists - also of the group of capitalists which farms better areas of land - is fixed by the special features of capitalist agriculture and by natural conditions. This is why the two kinds of capitalist monopoly in agriculture are of a stable and not momentary character. They are thus a suitable subject for studying capitalist monopoly in its general form.

The only effect of the special features of capitalist agriculture is that this monopoly is stable, the monopoly itself resulting from the operation of the laws of capitalist production.[18] Marx writes that "Here manufacturing and agriculture are different only in that in the one the surplus-profits are pocketed by the capitalist himself and in the other by the landowner and also in that in the first they *flow*, do not achieve any consistency, at one moment are made by this capitalist and at the next by that one and are regularly eliminated again while in the second they become *established* on account of their lasting (at least lasting for a fairly long period) natural basis in the different features of the land." [19]

Marx shows, in "Theories of Surplus-Profit", that monopoly is chiefly reflected in monopoly-price which, in addition to the average profit, also includes a certain monopolistic surplus-profit. He concludes that in agriculture this monopolistic surplus-profit is fixed in the shape of rent and that consequently land-rent is a special case of monopolistic surplus-profit while the price of agricultural products, as soon as it includes rent (absolute or differential rent) is a monopoly-price.

Marx demonstrates that the monopoly character of the price of agricultural products primarily results from the monopoly of the private ownership of land. "It is in fact a price ", writes Marx; "which is extorted only by the monopoly of landed property and differs in this as a monopoly-price from the price of industrial products. "[20] Lenin also stresses this aspect "Absolute rent derives from private ownership of landed property. This rent contains an element of monopoly, the element of monopoly-price." [21]

It follows from the monopoly of the private ownership of the land that agricultural products, in contrast to industrial products, are sold at their market-value but not at their social price. of production.

Monopoly of the private ownership of land prevents the values of agricultural products from being converted into prices of production and in this way maintains prices for agricultural products artificially at a monopolistically high level. Marx characterizes the special nature of land-rent as a form of extra surplus-value (surplus-profit) with the words: "Incidentally, no matter how land-rent itself is explained, the *significant difference* in comparison with industry is still the fact that here an excess surplus-value

results through cheaper (production), there through dearer production. "[22] If the monopoly of private ownership of landed property and absolute rent were to be eliminated by nationalization of the land, the prices of agricultural products would drop; the prices of production of industrial products, however, would rise since the average profit rate would have increased.

In connection with this, Marx writes that "... an abandonment of absolute rent would reduce the price of agricultural products and increase that of industrial products to the extent that the average profit rose by this process." [23]

The average profit rate would rise because the profit achieved by agrarian capitalists, after eliminating monopoly of the private ownership of the land, would flow into the communal fund' of the capitalist class. Since the profit rate in agriculture, my account of the low organic composition of capital, is higher than the average profit rate, its incorporation in the process of equalizing profits must result in a rise in the average profit rate.

But elimination of the monopoly of private -ownership of land, abandonment of absolute rent and the reduction of the price of agricultural products to the level of their price of production does not signify - and this is also indicated by Marx - that the monopolistic character of the price of agricultural products is abolished. There still remains the monopoly of the capitalist cultivation of the land, there still remains differential rent as a consequence of this monopoly. This is why the price of agricultural products is still a monopoly-price, even when it includes only differential rent. "Here, too, the price of products carrying differential rent is a *monopoly-price*..." [24] "In regard to *differential* rent, it may be said, that it is the effect of 'high value'; so far as by 'high value' is understood the excess of the market value of the produce over its real or individual value, for the relatively more fertile classes of land or mine." [25]

Differential rent stems from the monopoly of the capitalist cultivation of the land and from the competition of agrarian capitalists associated with this. This competition is expressed in the fact that a uniform market-value, a uniform social price of production and consequently a uniform market-price as well are established.

From the conditions of capitalist competition, it follows that the individual price of production on the worst areas of land is the determining price of production.

This produces the "false social value" already mentioned - a market-value artificially inflated by the capitalist monopoly of the cultivation of the land, a social production-price "what society overpays for agricultural products in its capacity of consumer . . ." [26] The "false social value" is a monopoly-price; it is the realization of the monopoly of capitalist cultivation of the land.

Marx comes to the conclusion that in a communist society in which the category of "price" will cease to exist, there will no longer be any differential rent either. As in the

past, social labour will be used in agriculture to cultivate areas of varying fertility but the expenditure which is saved on better areas can be used for improving the less productive areas, from which it then follows that the total quantum of labour expended in agriculture will be reduced.[27]

Within the capitalist mode of production, however, it is not possible to eliminate the monopolistic character of prices for agricultural products. Bourgeois nationalization of the land can only cause differential rent to pass from the purse of the landowner to the purse of the bourgeois state, but the price of agricultural products will remain the same.

The main problem of the theory of monopoly-price developed by Marx in "Theories of Surplus-Value" is the relation between monopoly-price and value. In particular, he shows that just as a distinction must be drawn between monopoly-price on the one hand and price of production and value on the other a distinction must also be made between market monopoly-price and a monopoly-price which is equal to the market-value or the social price of production. In the latter case, one could speak of a 'monopolistic market-value' and a 'monopolistic price of production'.

Marx describes the market monopoly-price, which he also calls the "actual monopoly-price",[28] as a price which is "only limited by the state ... of the *demand backed by the ability to pay...*"[29] As an example of the conditions under which the product could be sold at a market monopoly-price, Marx gives an example of a small island in which there is no external trade with grain or other agricultural products.

In contrast to market monopoly-prices, which may deviate to any extent from value, the monopoly-price of agricultural products incorporating absolute rent is equal to their market-value (monopolistic market-value), i.e., it exceeds only their social price of production. (But in this case the social price of production - insofar as it is determined by cost-price on the poorest soils - is also a monopolistic price of production.)

Marx explains why the monopoly-price of agricultural products cannot exceed their value as a rule. Value is the direct foundation of this price. In the pre-capitalist period (up to the 15th century), commodities were exchanged at their values. At this time, private ownership of landed property also existed. With the development of industrial capitalism, a fundamental change in price-formation took place and market-prices no longer fluctuated around value as their pivot but around price of production. In agriculture however, this change in price-formation was prevented by private ownership of the land and value continued to be the direct basis for the price of agricultural products. Thus, as in the past, the market-prices of these products still fluctuated around value. "Those who derive rent from monopoly", writes Marx, "are mistaken when they believe that monopoly enables the, landowners to force up the *price of commodities beyond their value*. Conversely, it consists in maintaining the *value of commodities at above their average price*; of selling commodities not *above* but *at* their value." [30]

An important factor in substantiating the relation between monopoly-price and value is, as Marx shows, the thesis formulated by bourgeois political economists as early as the beginning of the 19th century : "It is not the rent of land which determines the *price* of its product but the *price* of this product which determines rent..."[31] Rent as a form of monopolistic surplus-profit is consequently based on the value of agricultural products and is thus not an additional charge on this value.

The monopoly of private ownership of landed property is a barrier which prevents the free penetration of capital into agriculture but, as Marx demonstrates, no monopoly is an absolute monopoly. As an example of the undermining of private ownership of land, he quotes the case in which the landowner and the capitalist farmer are one and the same person. Marx writes that "the landowner puts no obstacle in the way..." of this farmer, "makes no resistance, because he (the farmer) has him in his power, not as a capitalist but because he is the owner of the land." [32] Here the rule applies that "landed property ... *disappears* in the face of capital . . ." [33] This capitalist could be content with the average profit since he does not have to pay rent to anybody.

In this case, it is possible to lower the price of agricultural products to the level of the price of production. In general, it is the result of the competitive struggle between the landowner and the capitalist which determines the extent to which the landowner is able to realize his economic position, whether he is able to take the whole of the absolute rent from the capitalist farmer or whether he must content himself with only a part of it.

Marx also gives another example: absolute rent does not exist where "the *supply* at an adequate price is so great that landowners are unable to resist the equalization of capitals..." [34] From an economic point of view, ownership of land does not exist here although it can exist juridically.

With the examples given above, Marx characterizes competition between agriculture and other branches of production leading to an undermining, of the monopoly of the private ownership of land. The competitive struggle within the capitalist class can also result in the monopoly of capitalist cultivation of land being undermined. When Marx says that in agriculture it is the price of production on the poorest areas of land which determines price of production, he is assuming that capitalist monopoly of the cultivation of the land is 100 % effective, i.e., it is assumed that the products of the whole of the land available are required to satisfy the demand. When it is a question of the theoretical definition of differential rent, it is completely correct and necessary to abstract from market relations since differential rent can only be completely realized under these conditions.

However, in "Theories of Surplus-Value", Marx also formulates the law of motion of the market-value of agricultural products which takes account of possible fluctuations in the state of the market. [35] According to this law, market-value can vary within wide

limits: from the individual value of the product of the poorest areas of land up to the individual value of the product of the most fertile areas.

Marx shows that agriculture, as a branch of capitalist production, possesses the privilege of selling its product not at the price of production but at its value. But this privilege "does not at all apply ... to the products produced at different values within the *same* sphere of production."^[36] Within agriculture itself, the price-level is determined by whatever part of the total product of the more fertile areas is put on the market. It depends on the fertility of the better areas as to whether the poorer areas can realize a certain part of the difference between the individual value and the individual price of production of their products or whether competition from the more fertile areas is so great that the inferior areas cannot even realize the average profit.

In this way, Marx demonstrates that the more fertile areas play a dominating role on the market, assuming, of course, that the quantity of their products is such that a surplus can be created and the price forcibly lowered. Competition within agriculture can thus have the effect that land-rent is merely a deduction from the profit of the capitalist farmer who, on the one hand, endeavours to remain competitive by cutting back the wages of his agricultural workers.

Marx also employed the method of abstraction in the course of the economic enquiries he carried out in the manuscript of 1861/63 on the theory of land-rent.

When capitalist agriculture is examined, the monopoly of private landed property characteristic of it cannot be disregarded. In this connection, Marx notes that "... were the Earth at the free disposal of everybody, a principal element in the *formation of capital* would be lacking."^[37] The monopoly of ownership of land in its capitalist form and land-rent as the realization of this monopoly are the "necessary product"^[38] of the capitalist mode of production.

Ricardo's theory of rent assumes that there is no restriction on the movement of capital in agriculture. His opponents raised the objection that his theory of rent did not consider how difficult it is for a farmer who invests a lot of fixed capital to withdraw capital from agriculture. Marx agrees with this objection and emphasizes that "English history between 1815 mid 1830 proves this to a *great extent*." Nevertheless, says Marx, this objection does not apply to "the theory *at all*, leaves it *completely untouched*, since it is always a question here only of a more or less quick or slow implementation of the economic law."^[39] The difficulties involved in the withdrawal of capital do not affect the essence of the economic law - the law of land-rent - but the form in which it appears, the character of its action. These are external factors which must be disregarded in this context.

However, Ricardo's theory of rent also assumes that there is no restriction on investment of capital in agriculture. In this question, Marx unequivocally takes the side of the

opponents of Ricardo when he points out that investment of capital in agriculture will meet with resistance from landowners. Ricardo, on the other hand, abstracted in fact from the private ownership of land. Marx called this abstraction "totally wrong".^[40]

This example clearly shows what should be done and what not when using the method of abstraction.

We have attempted here to give a detailed account of how Marx, in the manuscript of 1861/63, developed his theory of value and surplus-value a stage further by elaborating the theory of average profit and price of production and the theory of rent - the converted forms of value and surplus-value. He shows how value and surplus-value appear on the surface of capitalist society, how they are modified under the concrete conditions of capitalist competition and capitalist monopoly. And with this he also completed his theory of value and surplus-value.

In actual fact, after 1863, Marx concentrated all his attention on preparing the work he had carried out on economics for publication. In 1865, he completed the manuscript of the third volume of "Capital" where, in harmony with the overall structure of his economic work, he describes the theory of average profit and price of production and the theory of land-rent.

As already noted, Marx elaborated his theory of value and surplus-value for the first time in "Grundrisse"; he subsequently describes it in "A Contribution to the Critique of Political Economy" and in the first volume of "Capital". These later descriptions of the theory of value and surplus-value are more complete in content than those in "Grundrisse". But this does not at all affect the importance of "Grundrisse" when it is a question of finding out about Marx's 'creative laboratory' and learning how he worked out his economic theory. It is quite different with the manuscript of 1861/63 and with "Theories of Surplus-Value". The "Theories of Surplus-Value" supplement the first three volumes of "Capital" in a series of basic questions.

Footnotes

[1]K. Marx. Theorien uber den Mehrwert, 2. Teil, l.c., p. 235.

[2]K. Marx, letter to Engels of 9 August 1862, in; Marx/Engels, Selected Correspondence, Foreign Languages Publishing House, Moscow 1953.

[3]Cr. K. Marx, Theorien uber den Mehrwert, Teil, l.c., chapter 8.

[4]K. Marx, Theorien uber den Mehrwert, 1. Teil, l.c., p. 378.

[5]K. Marx, letter to Engels of 2 August 1862, in: Marx/Engels, Selected. Correspondence, l.c.

[6]K. Marx, Theorien über den Mehrwert, 2. Teil, l.c., p. 84.

[7]Ibid., p. 85.

[8]p. 372.

[9]K. Marx, Theories of Surplus-Value, Part III. , l.c., p. 361

[10]V. Lenin, "The Agrarian Question and the `Critics of Marx '", Collected Works, Vol. 5, Foreign Languages Publishing House, Moscow 1961, p. 121.

[11]K. Marx, Theories of Surplus-Value, Part III, , l.c., p. 360.

[12]K. Marx, Theorien über den Mehrwert, Teil, l.c., p. 04.

[13]Ibid., p. 10.

[14]Ibid., p. 11.

[15]Ibid., p. 100.

[16]Ibid., p. 96.

[17]Ibid., p. 154.

[18]Cf. ibid., p. 10.

[19]Ibid., p..233.

[20]Ibid., p..336.

[21]V. I. Lenin. Das Agrarprogramm der Sozialdemokratie in der ersten russischen Revolution von 1905 bis 1907, in: Werke, Bd. 13, Dietz. Verlag, Berlin 1963, p. 296.

[22]K. Marx, Theorien über den Mehrwert, Teil, l.c., p. 9.

[23]p. 308.

[24]Ibid., p. 154

[25]ibid., p. 320.

[26]K. Marx, Capital, Vol. III; 1. c.. p. 646.

[27]Cf. K. Marx, Theorien über den Mehrwert, 2, Teil, 1.c., p. 93.

[28]Ibid., p. 27.

[29]Ibid., p. 324,

[30]Ibid., p. 152.

[31]Ibid., p. 152.

[32]Ibid., p. 294.

[33]Ibid., p. 295.

[34]Ibid., p. 356.

[35]Cf. ibid., p. 260 f.

[36]Ibid., p. 91.

[37]Ibid., p. 35.

[38]K. Marx, Theories of Surplus-Value, Part III, 1. c., p. 3e0.

[39]K. Marx, Theorien über den Mehrwert, 2. Teil, 1. c., p. 374.

[40]Ibid.

Chapter 8

An artistic whole. Logical and historical aspects. "Theories of Surplus-Value " - the beginning of the real work on " Capital ". " The second part ... will appear independently under the title Capital ...". From six to four books. "Confidentially, I indeed began 'Capital' in exactly the opposite sequence ...". The theoretical and the historical part of "Capital".

How "Capital" took shape

At the same time as he developed his economic theory, Marx also worked out the structure of his work on economics. The task of drafting the structure of "Capital" was no less difficult and agonizing than the substantiation of the theory of surplus-value. But every success is based on hard work. At last, Marx found a form for his work on economics which matched the brilliance, of its content. Marx was aware of the intrinsic perfection of his work. It is clear, he wrote to Engels in February 1866 "that many shortcomings in detail must exist in a work like mine. But the *composition*, the coherence, is a triumph; of German science which an individual German can admit since it is in no way *his* merit but rather belongs to the *nation*."^[1]

As everybody knows, "Capital" consists of four volumes. However, it would not be correct to assume that Marx sets out the positive representation of his theory in the first three volumes while the fourth volume is- devoted solely to a critique of bourgeois political economy. This is indicated by the full title of the work: "Capital. A Critique of Political Economy". It is quite clear that the second part Of this title - "A Critique of Political Economy" - applies to all four parts of "Capital". By 'critique', Marx understood the refutation of the theories of bourgeois political economy. It is a question here of a critique which is constructive in the highest degree. Marx himself never drew a sharp distinction between a theoretical and a critical part of "Capital". In a note to the first volume of "it is stated that "The insufficiency of Ricardo's analysis of the magnitude of value ... will appear from the 3rd and 4th books of this work."^[2] Even from this it is apparent that the critique of bourgeois political economy is not only the subject of the fourth volume of "Capital" but of the others as well.

The relation between the first three volumes and the fourth can be described essentially as a relation between the logical and the historical. In volumes I to III of "Capital", bourgeois political economy is mainly criticized from the logical standpoint whilst in the fourth volume (in "Theories of Surplus-Value") this is chiefly done from the historical point of view since the history of economic theory reflects the history of

bourgeois society. Of course, when considered historically, bourgeois political economy was necessarily a valuable source of theoretical material for Marx.

It is consequently no accident that Marx elaborated fundamental parts of his theory of economics for the first time in the course of his work on "Theories of Surplus-Value", for instance the theory of productive and unproductive labour, the theory of average profit and price of production, the theory of land-rent, the theory of capitalist reproduction and the theory of crises.

The original structure of "Capital" was not at all in the form which we know today. In the course of his labours, Marx modified, and perfected it step by step until he ultimately achieved the layout which best corresponded to the brilliant content of his economic theory.

From the structure of "Capital", various stages can be distinguished in Marx's work. Nevertheless, by the 1840's, Marx had already divided his work on economics into two main parts: a theoretical part, in which a positive description of the subject of his work is given, and a part "which

is more historical ..."[3]

In 1857, in connection with the actual writing of "Grundrisse", he began to concern himself intensively with the layout of his "Economy". His first provisional plan was set out in his "Introduction, A contribution to the Critique of Political Economy" (written about the beginning of September 1857), which he never completed and which was originally intended as an introduction to his work on economics. "The disposition of material", wrote Marx, "has evidently to be made in such a way that (section) one comprises general abstract definitions, which therefore appertain in some measure to all social formations ... Two, the categories, which constitute the internal Structure of bourgeois society and on which the principal classes are based. Capital. wage-labour. landed property and their relations to one another. Town and country. The three large social classes: exchange between them. Circulation. The (private) credit system. Three: the State as the epitome of bourgeois society. Analysis of its relations to itself. The 'unproductive' classes. Taxes National debt. Public credit. Population. Colonies. Emigration. Four, international conditions of production. International division of labour. International exchange. Export and import. Rate of exchange. Five, World market and crises."[4]

In the "Chapter on money", Marx likewise puts forward a plan for the description of the theory: in the "first section", "exchange-values, money, prices" are to be examined." The internal structure of production forms ... the second section, the State as the epitome of this the -third, the international relationship the fourth, the world market the last one ..."[5]

At the beginning-of the"- Chapter on Money", however, Marx has already set out a detailed version :

" I. 1) General concept of capital.- 2) Special nature of capital : circulating capital., fixed capital. (Capital as food, as raw material, as instrument of labour 3) Capital as money. II. 1) *Quantity of capital. Accumulation* - 2) *Capital measured against itself. Profit. Interest. Value of capital:* capital as distinguished from itself as interest and profit. 3) *The circulation of capitals.* a) Exchange of capital for capital. Exchange of capital for revenue. Capital and *prices.* b) *Competition of capitals.* c) *Concentration of capitals.* III. Capital as credit. IV. - Capital as share-capital. V. *Capital as money-market.* VI. Capital as a source of wealth. The capitalist. Landed property would then be dealt with after capital. After this, wage-labour. After all three, *the movement of prices* as circulation determined in its inner totality. On the other side, the three classes as the three basic forms of production and the conditions of circulation. Then the *State.* (State and bourgeois society: - Taxes or the existence of the unproductive classes. - The national debt. - The population. - The State and its relations with other countries: colonies. Foreign trade. Rate of exchange. Money as international currency. - Finally. the world-market. Extension of bourgeois. society beyond the limits of the State. Crises. Disappearance of the mode of production and form of society based on exchange-value. Realistic definition of individual labour as social labour and vice-versa.) "[6]

This truly grandiose plan, drawn up in November .1857, indicates that Marx intended to explore all the important aspects of bourgeois society - up .to the conditions under which it could be abolished and replaced by a superior form of society, communism. The historical part is missing in this plan since only the logical structure of the theory of economics itself is given here. The section on capital is divided into six large parts, marked by Roman numerals. But a few pages further, Marx sets out another plan for the section on capital: *Capital.* I. General: 1) a) Development of capital from money. b) Capital and labour. c) The elements of capital, grouped according to their relationship with labour ... 2) *Differentiation of capital:* a) circulating capital, fixed capital ... 3) *Individual features of capital:* Capital and profit ... II. *Special features:* 1) Accumulation of capitals. 2) Competition of capitals. 3) Concentration of capitals. III. *Individual features:* 1) Capital as credit, 2) Capital as share-capital. 3) Capital as money-market." [7]

In the "General" section (Marx later called this section " Capital in general"), the arrangement of the material in three parts, which was subsequently to play such an important role in the structure of the theoretical part of "Capital", is already clearly outlined. This arrangement is still formulated in the terms of Hegel's "Logic". Two months, later, on or about 14th January 1858, Marx wrote to Engels that "In the *method* of treatment the fact that by mere accident I again glanced through Hegel's *Logic* has been of great service to me." [8] When we see how Marx evolved the structure of Capital", it is apparent that he gradually freed this structure from the philosophical scaffolding with which he had originally surrounded it.

On 22nd February 1858, Marx advised Lassalle of the plan for his work on economics which was to cover six books: "1) Capital (contains some introductory chapters). 2) Landed property. 3) Wage-Labour. 4) The State. 5) International Trade. 6) World Market." He then continues with these words : "Naturally, I cannot refrain from criticizing other economists now and then, and particularly not from polemicizing against Ricardo ... However, the critique and history of political economy and of socialism as a whole was to form the subject of another work. Finally, the brief *historical sketch* of the development of the economic categories, or relationships, was to be a third work."^[9] This shows, therefore, that Marx intended even at this time to set out his work in a theoretical and in an historical part, the latter containing a section on the history of political economy and another on the history of economic categories and relations.

In his letter to Lassalle of 11th March 1858, Marx set out the plan for the first volume of his work on economics : "1. Value, 2. Money, 3. Capital in general (production-process of capital, circulation-process of capital, unity of the two or capital and profit, interest)." Marx then writes that "It is not at all my intention to write all six books, into which I shall divide the work, at a uniform level but in the three latter ones to give just the general facts whilst in the first three, which contain the actual basic development in economics it will not be possible to avoid detailed explanations in every case."^[10]

This version of the plan is interesting in that it contains an exact arrangement of the section on "Capital in general" which Marx subsequently used as a basis for the arrangement of the whole of the theoretical part of his work in three volumes. It may also be noted that Marx now reduced the scope of his task somewhat. This is indicated by his intention not to go into the same degree of detail in all six volumes.

In the letter to Engels of 2. April 1858, Marx lists these six books and divides the content of the first book - "About Capital" - into four sections : "a) *Capital* in general b) *Competition*, or the action of the many capitals upon one another. c) *Credit*, where capital appears as the general element as opposed to individual capitals. d) *Share-capital* as the most perfect form (leading to communism) together with all its contradictions."^[11]

In a detailed plan of the first volume, "A Contribution to the Critique of Political Economy ", which Marx sent to Weydemeyer on 1 February 1859, historical digressions are added to the first chapter and to various sub-sections of the second. The chapter on "The Commodity" carries "Historical Notes on the Analysis of Commodities", the sub-section on the "Measure of Value" the digression "Theories on the Standard of Money" and the sub-section "The Precious Metals" the digression on "Theories of the Medium of Circulation and of Money".^[12] This plan was then also used by Marx in "A Contribution to the Critique of Political Economy" which was published shortly afterwards. He pursued this idea of distributing the historical and critical material among the theoretical sections of his work in the course of the whole of his labours on

the manuscript of 1861/63. The draft-plans drawn up in January 1863 for the first and third parts of "Capital" are evidence of this.[13]

Thus, in the years between 1858 and 1862, Marx worked out the plan for a work on economics covering six volumes. Summing up all the remarks which he made regarding this question, one obtains the following plan of his work on economics.

PLAN OF "A CONTRIBUTION TO THE CRITIQUE OF POLITICAL ECONOMY" AS OUTLINED BY MARX BETWEEN 1858 AND 1862

| | | |
|--|---|---|
| <p>I. Capital : (Introduction : The Commodity and Money)</p> <p>a) Capital in general</p> <p>b) Competition of Capitals</p> <p>c) Credit</p> <p>d) Share Capital</p> <p>II. Landed Property</p> <p>III. Wage-Labour</p> <p>IV. State</p> <p>V. Foreign Trade</p> <p>VI. World Market</p> | <p>1. Production- Process of Capital :</p> <p>2. Circulation- Process of Capital</p> <p>3. Unity of the two or Capital and Profit</p> | <p>1. Conversion of Money into Capital</p> <p>2. Absolute Surplus-Value</p> <p>3. Relative Surplus-Value</p> <p>4. Combination of Absolute and Relative Surplus- Value</p> <p>5. Theories on Surplus- Value</p> |
|--|---|---|

In the first volume of "A Contribution to the Critique of Political Economy ", Marx was only able to put the first part of this plan into effect, i.e., the introduction: The Commodity and Money.

When he then began work on the manuscript of 1861/63, he started - following this plan - with the chapter on the conversion of money into capital, i.e., with the first chapter of the section on the production-process of capital. It was Marx's intention to use the "Theories on Surplus-Value" as a concluding historical digression for this section in the same way that he had added the historical notes to the chapters on the commodity and money in the first volume of "A Contribution to the Critique of Political Economy".

It may be said that the beginning of the work on "Theories of Surplus-Value" marked a turning point in Marx's economic investigations.

In fact, the "Theories of Surplus-Value" is the start of Marx's direct work on "Capital". At this time, Marx had not yet thought of dividing the entire work into four volumes with "Capital" as the general title. This idea gradually emerged in the course of his labours on "Theories of Surplus-Value". It was only towards the end of 1862 that Marx chose "Capital" as the title. This is shown by his letter to Kugelmann of 28th December 1862 in which he tells of his intention to publish the continuation of the first volume of "A. Contribution to the Critique of. Political Economy" in the form of a separate book With the title of "Capital" and the sub-title of "A Contribution to the Critique of. Political Economy."^[14]

Thus it was right at the end of his work on "Theories of Surplus-Value" that Marx thought of writing "Capital" as a coherent work.

In August 1863 he returned to his original plan of writing the historical part of his work in a separate volume. In the letter of 15th August 1863, Marx informed Engels of his work on "Theories of Surplus-Value" and noted that ". . . when I now look at the concoction and see how I had to change everything and even had to put the *historical* part together from material which was in part quite unknown ..."^[15] Here, for the first time, he calls "Theories of Surplus-Value" the "historical part" of his work on economics.

After this, Marx regarded the manuscript of "Theories of Surplus-Value" as the first version of the fourth and last volume of "Capital".

Although it was only from 1863 onwards that Marx regarded "Theories of Surplus-Value" as the fourth volume of "Capital", it can still be said that right from the start the work on "Theories of Surplus-Value" was work on the fourth volume of "Capital". In the course of this work, Marx modified his original intentions to a considerable extent and greatly increased the scope of his investigations. The critical analysis of the views of the bourgeois economists on surplus-value was linked with the analysis of their ideas on profit, rent and so on. Furthermore, in critical confrontation with bourgeois political economy, Marx was obliged to explain one or other of the sections of his own theory on economics which, as we know, he had not yet completed at this time.

The consequence of all this was that a notable expansion took place in the range of problems under investigation by Marx. The historical digression of "Theories on Surplus-Value" reached an enormous length (about 110 printed sheets) and became a critical investigation of the whole history of development of bourgeois political economy. Finally, it occurred to him that the whole of the historical and critical material had to be put together in a separate volume as the, fourth book of "Capital". At the same time, in the course of the work on the manuscript of 1861/63, the decisive importance of the arrangement of the material in three parts, which at first Marx had only intended for the chapter on "Capital in general", became increasingly apparent. Marx gradually arranged the whole of the material in "Capital" in these three groups. Thus, on 18th June

1862, he informed Engels about the progress of his investigations: ". . . I am stretching out this volume By the way, I am now at long last through with that sickening ground rent (which I do *not* want even to *hint at* in this part). "[16] But a month and a half later, on 2nd August 1862, he had already changed his mind : "I now intend after all to include the theory of rent by putting in a chapter in this volume." [17] According to the original plan, the theory of rent was to have been the subject of the second book ("Landed Property "). It was now Marx's intention to 'include it in the first section (" Capital in general") of the first book (" About Capital").

In the letter to Kugelmann of 28th December 1862, to which reference has already been made, and where it was mentioned that the second part of "A Contribution to the Critique of Political Economy" was to be published under the title of "Capital", Marx wrote the following about the content of this second part : "Really it only deals with those matters which should form the third chapter of the first section, namely, capital in general, and does not therefore include the competition of capitals or the credit system. This volume contains what the English call the principles of political economy. It is the quintessence (together with the first part) and the development of the rest (with the exception perhaps of the relations of different state forms to different economic structures of society) could be easily accomplished by others on the basis thus provided." [18] Regarding his further plans, Marx stated that he intended "either to write the continuation, that is, the conclusion to my treatment of capital, competition and credit, in German, or else to combine the first two books into one volume for the English public ..." [19]

These lines indicate that Marx at this time had already definitely abandoned the idea of writing six books and had almost made up his mind to restrict himself to the first section of the first book, the section on "Capital in general". This section was to be divided into three parts : "Production-process of capital", "Circulation-process of capital" and "-Unity of the two, or Capital and Profit".

In the same letter, he also remarks that "Capital" comprised about 30 printed sheets. In actual fact, however, there are about five times as many sheets as this in the three volumes of "Capital ".

This is the best evidence that Marx, in the period following, really did include in the section on "Capital in general" many of the problems which were actually intended to be the subject of the following sections of the first book and the other volumes of his work on economics. This is how the plan of "Capital" was evolved in the course of Marx's work on the manuscript of 1861/63, this is how the three theoretical parts took shape while "Theories of Surplus-Value", by reason of its structure and content, became the fourth volume of "Capital".

As a whole, the Manuscript of 1861/63 represents the rough draft of all four volumes of "Capital". Between 1864 and 1865, Marx rewrote the first three volumes of "Capital"

while the historical part retained the original form in which it had been written between 1862 and 1863. Consequently, on account of the new arrangement of the first three books, this part had to be revised. In his letter of 31 July 1865, Marx informed Engels about the course of the work on "Capital" : "Three chapters still have to be written to complete the theoretical part (the first three books). Then there is still the fourth book, the historical and literary part, which has to be written which is relatively the easiest part for me since all the questions are solved in the first three books, this last one is therefore more a repetition in historical form."[20] Marx never succeeded in rewriting the fourth book but nevertheless regarded the manuscript of "Theories of Surplus-Value" as the concluding, historical part of "Capital".

In the letter to Siegmund Schott of 3rd November 1877, Marx wrote the following words in connection with this: "Confidentially, I indeed began "Capital" in exactly the opposite .sequence (beginning with the third and historical part) to which it was submitted to the public, only with the quali-

118fication that the Ist volume, which was started last, was prepared for printing straightaway whilst the two others remained in the rough form which all research has at the beginning ..."[21]

One year before the publication of the first volume of "Capital", Marx gave the first clear outline of the •new structure of "Capital" in his letter to Kugelmann of 13th October 1866 : "The whole work is divided as follows :

Book I. The Production Process of Capital.

Book II. Circulation Process of Capital.

Book III. Form of the Process as a Whole.

Book IV. Contribution to the History of Economic Theory."[22]

This is, in as few words as possible, the history of the structure of "Capital", the most fearful missile ever "hurled at the heads of the bourgeoisie (landed proprietors included) ".[23] But for this missile to be really fearful for the, bourgeoisie it had to be not only filled with explosive of the necessary destructive power but also had to be given a shape which ensured the necessary power of penetration. It may certainly be asserted that "Capital" owes its immortality to both its brilliant content and its wonderful form.

The efforts which it cost-Marx to achieve this form have been described. It is appropriate here to stress just once more the already obvious fact that Marx worked out the structure of "Capital" at the same time as he elaborated the actual theory of economics. This is understandable, too. Form cannot be separated from content.

If we wish to see in more detail how Marx evolved the logical structure of "Capital", it is necessary to spend somewhat more time on the question of why Marx began with the historical part when he started writing his work on economics. This brings us back to the method which Marx used in his investigation of capitalist reality:

In the "Introduction" for "A Contribution to the Critique of Political Economy", Marx characterizes the method of scientific research as a "method of advancing from the abstract to the concrete" which leads from abstract definitions to the reproduction of the concrete in thinking. Advancing from the abstract to the concrete has the converse process as a basic condition: the transition from the concrete fact in the idea to the simplest abstract definitions.

This method is materialistic because it takes the concrete not as the result but as the presupposition, the point of departure, for research. Marx stresses that advancing from the abstract to the concrete is the method by which to assimilate the concrete but "This is, however, by no means the process of evolution of the concrete world itself."[24]

The starting point for Marx, theory of economics was capitalist reality itself. Lenin observed that "Capital" contained the "history of capitalism and the analysis of the *terms* summarizing it".[25] The history of capitalism, of capitalist production-relations, is the source of Marx's theory. Marx found the reflection of this history in the history of bourgeois political economy, "The development of political economy", as Engels wrote when explaining Marx's method of enquiry, "constituted a natural clue, which the critique could take as a point of departure, and then the economic categories would appear on the whole in the same order as in the logical exposition." in this, it is "the actual development" which is traced.[26]

Naturally, the development of the science of economics does not at all correspond exactly to the development of economic reality. It has its peculiarities which caused Marx, in "A Contribution to the Critique of Political Economy", to note that "Science, unlike other architects, builds not only castles in the air, but may construct separate habitable storeys of the building before laying the foundation stone."[27] But the zig-zag and contradictory development of science does not prevent the history of political economy, in one way or another, from reflecting the history of the economic development of society. This only means that a particularly critical approach must be employed in analysing the history of political economy.

That the development of the science reflects the development of economic reality is confirmed by Marx in the letter to Kugelmann of 11th July 1868: "On the other hand ..., *the history of the economic theory* certainly shows that the concept of the value relation has *always been the same*, whether more or less clear, hedged with illusions or scientifically precise. Since the thought process itself grows out of the conditions, is itself a *natural process*, thinking that really comprehends must always be the same, and can only vary gradually according to maturity of development, including that of the

organ by which the thinking is done." [28] It is obvious that Marx is referring here to classic bourgeois political economy, the outstanding figures of which represent the "thinking that really comprehends". In these lines, Marx sets out the materialist thesis that scientific theory reflects reality and the history of the theory the development of this reality, including as well the development of thinking as a part of reality.

When Marx began to elaborate his theory of economics, he had to start with a critical historical investigation since his theory and its theses had to be substantiated by the historical reproduction of the theory. We may recall here once more the noteworthy spot in the epilogue to the second edition of the first volume of "Capital" where Marx characterizes the difference between the method of inquiry and the method of presentation. "Of course the method of presentation must differ in form from that of inquiry. The latter has to appropriate the material in detail, to analyse its different forms of development, to trace out their inner connexion. Only after this work is done, can the actual movement be adequately described. If this is done successfully, if the life of the subject-matter is ideally reflected as in a mirror, then it may appear as if we had before us a mere *a priori* construction." [29] The critical historical analysis of the development of the science, the historical reproduction of the theory, is of enormous importance when it is a question of assimilating the subject-matter and of analyzing its different forms of development.

A critical analysis of the: history of bourgeois political economy shows that Marx's economic theory solved all the contradictions in which bourgeois economy had become entangled and provided an answer to all the questions which the entire course of development of human society had already put on the agenda. This is also the historical proof of the correctness of Marxist theory.

Properly speaking, the advance from the abstract to the concrete also reflects the actual historical process. "The procedure of abstract reasoning which advances from the simplest to more complex concepts writes Marx, ". . . conforms to actual historical development." [30] Reasoning which advances from the abstract to the concrete is therefore correct because it corresponds to the historical development of economic reality. This is reinforced still further by the fact that at every stage of this advance reference can be made to the reflection of this actual process in the history of the science itself.

The history of political economy, as described in the fourth volume of "Capital" (in "Theories of Surplus-Value"), chiefly shows how Marx's theory of surplus-value developed. Naturally, as far as the method and manner in which he investigates the historical subject-matter is concerned, Marx first abstracts at every stage from the concrete categories which express the character of the capitalist mode of production. Any other approach was not even possible since Marx was always obliged to take this or that bourgeois economist as his basis. However, not a single bourgeois economist had been able to isolate the category of surplus-value, for instance, in its pure form. This

transition from the concrete to the abstract at every individual stage of inquiry is associated with the advance from the abstract to the concrete in the process as a whole. This is also the case with the fourth volume of "Capital". In accordance with the nature of the subject and as in the first three volumes, the reasoning here advances from the abstract to the concrete, only with the difference that the problems are described from the historical viewpoint.

In the first part of "Theories of Surplus-Value ", most attention is paid to a critical historical investigation of the problem of exchange between labour and capital on the basis of the law of value. This corresponds to an analysis of value and by and large to that of surplus-value as well in the first volume of "Capital ".

In "Theories of Surplus-Value", this analysis concludes with the examination of the attempt of the bourgeois economists to describe the capitalist mode of production as a whole; this corresponds to the analysis of the capitalist reproduction-process in the second volume of "Capital". In the other parts of "Theories of Surplus-Value", Marx investigates how surplus-value is converted into profit, how the general profit-rate is formed and how the price of production is related to the value; this corresponds to the transition from surplus-value to profit, from profit to average profit and from value to price of production in the third volume of "Capital". Finally, in the concluding part of "Theories of Surplus-Value", he investigates the process of vulgarization of bourgeois political economy and this corresponds to the critique of vulgar economy in the third volume of "Capital".

If the structure of "Theories of Surplus-Value" is examined more closely, it is naturally apparent that this is only roughly comparable with the structure of the first three volumes of "Capital". Indeed, the range of problems examined in the first volume of "Capital" is dealt with not only in the first but also in the second and third parts of "Theories of Surplus-Value". Thus in the tenth chapter of the second part of "Theories of Surplus-Value", for instance, Marx investigates how value is determined by labour-time, i.e., the main thesis of Ricardo's theory. He shows how Ricardo is confused on the question of absolute and relative value and how he fails to appreciate the nature of the form of value. In the fifteenth chapter, Marx explains that the problem of exchange between labour and capital is insoluble in the way in which it is formulated by Ricardo. He also shows that Ricardo confuses labour and labour-power and does not analyze the origin of surplus-value. In the eighteenth chapter, Marx devotes great attention to the capitalist application of machinery. In almost every chapter of the third part of "Theories of Surplus-Value", Marx discusses problems of the first volume Of "Capital" such as value, constant and variable capital, wages and so on. Lastly, in the second and third parts of "Theories of Surplus-Value", there are sections relating to the analysis of the capitalist mode of production as a whole and to the analysis of capitalist reproduction. The explanation of all this is that Marx, when he investigates the views of a bourgeois economist, always has to analyze the entire system of the latter. This

circumstance, however, does not at all alter the fact that the internal structure of the historical part largely reproduces the structure of the theoretical part of Marx's work.

But when the structure of "Theories of Surplus-Value", which reflects the history of the internal development of bourgeois political economy, reproduces the development of Marx's economic theory from the historical aspect, the subject-matter of the fourth volume of "Capital" is a major contribution to the historical substantiation of this theory.

In the same way as description progresses from the first to the second and third volumes of "Capital", capitalist relations of production "approach step by step the form which they assume on the surface of society, in the action of different capitals upon one another, in competition, and in the ordinary consciousness of the agents of production themselves".^[31] The historical part of "Capital" also completes the advance to the surface of bourgeois society since it provides critical proof of how capitalist relations of production are reflected in the heads of the apologists of this society, in the heads of the bourgeois economists. Naturally, individual representatives of bourgeois political economy described capitalist reality and capitalist production-relations in various ways. The vulgar economists - deliberately or unintentionally - stay on the surface of economic relations, but the classical economists succeeded to a certain degree in penetrating the economic processes in depth and in tracing the internal relationship of the phenomena. Marx always assessed this very highly.

In the historical part of "Capital", Marx follows the interpretation of the laws of capitalism by bourgeois ideologists. He considers the progress of bourgeois political economy as a reflection of the progress of bourgeois society itself and of its internal contradictions. For the understanding of the natural laws of capitalism in all their aspects, Marx also had to explain how the base influences the superstructure and how capitalist reality is reflected in the ideological sphere, especially in the science of economics.

All this explains why the critical analysis of the history of political economy - although it was for Marx an important starting point for the elaboration of his theory of economics - is at the same time the necessary completion of the theoretical structure which he put together in the first three volumes of "Capital".

Footnotes

[1] K. Marx, letter to Engels of 20 February 1866, in: K.Marx/F. Engels, Werke, Bd. 31, p. 183.

[2] K. Marx, Capital, Vol. I, l.c., p. 80 (footnote 1).

[3] K. Marx, letter to Leske of 1 August 1846, in: K.Marx/F. Engels, Werke, Bd. 27, p. 450. Cf. also *ibid.*, p. 448 f.

[4] K. Marx, Introduction, A Contribution to the Critique of Political Economy, *l.c.*, p.214.

[5] K. Marx, Grundrisse der Kritik der politischen Ökonomie, *l.c.*, p.138 f.

[6] *Ibid.*, p. 175.

[7] *Ibid.*, p. 186.

[8] K. Marx, letter to Engels, written about 14 January 1858, in: Marx/Engels, Selected Correspondence, *l.c.*, p. 121.

[9] K. Marx., letter to Lassalle of 22 February 1858, in: K.Marx/F. Engels, Selected Correspondence, *l.c.*, p.121

[10] K. Marx, letter to Lassalle of 11 March 1858, in: K. Marx/F. Engels, Werke, Bd. 29, p. 574.

[11] K. Marx, letter to Engels of 2 April 1858, in: K.Marx/F. Engels, Selected Correspondence, *l.c.*, p. 125.

[12] Cf. K. Marx, letter to Weydemeyer of 1 February 1859, in: K. Marx/E. Engels, Werke, Bd. 29, p. 573.

[13] Cf. K. Marx, Theorien über den Mehrwert, 1. Teil, *l.c.*, p. 377 f.

[14] Cf. K. Marx, letter to Kugelmann of 28 December 1862, in: K. Marx, Letters to Dr. Kugelmann, *l.c.*, p. 23.

[15] K. Marx, letter to Engels of 15 August 1863. in: K" Marx/F. Engels, Werke, Bd. p. 308.

[16] K. Marx, letter to Engels of 18 June 1862, in: K.Marx/F. Engels, Selected Correspondence, *l.c.*, p. 156.

[17] K. Marx, letter to Engels of 2 August 1862, in: K. Marx/F. Engels, Werke, Bd. 30, p. 283.

[18] K. Marx, letter to Kugelmann of 28 December 1862, in: K. Marx, Letters to Dr. Kugelmann, *l.c.*, p. 23.

[19] *Ibid.*, p. 24.

[20] K. Marx, letter to Engels of 31 July 1865, in: K. Marx/F. Engels, Werke, Bd. 31, p. 132,

[21] K. Marx, letter to Schott of 3 November 1877, in: K. Marx/E, Engels, Letters on Capital Bd, 34, p. 235. (Marx calls the historical part the third here because at this time, 1877, he intended to publish the second and third books of "Capital " in one volume, the second, While the fourth book, the "History of Economic Theory", was to be the third volume..

[22] K. Marx, letter to Kugelmann of 13 October 1866, in: K. Marx, Letters to Dr. Kugelmann, 1. c., p. 43.

[23] K. Marx, letter to Becker of 17 April 1867, in: K. Marx/F. Engels, Werke, Bd. p. 541.

[24] K. Marx. Introduction, A Contribution to the Critique of Political Economy, 1. c., p. 206.

[25] V. I, Lenin, Philosophische Hefte, in: Werke, Bd. 38, p. 319.

[26] F. Engels, Earl Marx, "A Contribution to the Critique of Political Economy", 1. c., p.225.

[27] K. Marx, A Contribution to the Critique of Political Economy, 1. c., p. 57,

[28] K. Marx, letter to Kugelmann of 11 July 1868, in: K. Marx, Letters to Dr. Kugelmann, 1. c.,p. 73.

[29] K. Marx. Capital, Vol. I, Afterword to the 2nd German edition, l.c., p.. 19.

[30] K. Marx, Introduction, A Contribution to the Critique of Political Economy, 1. c., p. 208.

[31] K. Marx, Capital, Vol.III, l.c., p. 25.

Chapter 9

The political economy of the working class. The dissemination of economic theory in the ranks of the working class. "Value, Price and Profit": from political economy to economic policy. Comparison with the 1840's: "Wage-Labour and Capital" and "Manifesto of the Communist Party", "Once the interconnection is grasped". Justification of the struggle of the workers for higher wages and a shorter working day. Analysis of the value of labour-power. "Down with the wage system!" Scientific critique of Proudhonism.

Marx's economic theory and the working class

The enormous significance and the full content of Marx's work can only be grasped when it is remembered that Marx was no mere book-scholar but first and foremost a revolutionary. He created his economic theory not for a select group of specialists but directly for the working class. "The appreciation which 'Das Kapital' rapidly gained in wide circles of the German working-class is the best reward of my labours"[1] wrote Marx in the Afterword to the second edition of the first volume of "Capital". And if he spent many years in the Library of the British Museum or, bent over his desk, analyzed the subtleties of past political economists, then he did so because he knew that the working-class needed his work. "Although I am devoting a great deal of time to the preparation for the Geneva Congress (this was the first congress of the 1st International in September 1866-V. V.)", Marx wrote to Kugelmann, "I cannot and do not want to go there, since no such prolonged interruption of my work is possible. I think that this work which I am doing is of far greater importance to the working class than anything that I, personally, could do at a Congress *quelconque* (of any sort)."[2]

In the sphere of economic theory. Marx elaborated the political economy of the working-class. "It is the political economy of the working class, reduced to its scientific expression",[3] to quote Engels's words about "Capital". Marx is "the man to whom the whole working-class of Europe and America owes more than to anyone else ..."[4] "As long as there have been capitalists

and workers in the world, no book has been published which is of such importance for the workers as this one."[5] With these words, Engels characterized the significance of "Capital" for the working-class movement.

Above all, with his economic theory, Marx supplied the scientific foundation for the international working-class movement, "the scientific base" for "the socialist efforts" of

the proletariat which up till then had been lacking.[6] Marx exposed the mechanism of capitalist exploitation and thus showed "that the entire capital of our bankers, merchants, industrialists and big landowners is nothing but the accumulated and unpaid labour of the working-class!"[7] In this review of the first volume of "Capital" from which these lines are taken, Engels recalls that the "Neue Rheinische Zeitung", which he and Marx had published, had demanded in 1849 in the name of the Silesian peasants that a thousand million talers which the great landed proprietors had illegally appropriated when serfdom and feudal services were abolished should be returned to these peasants. The series of articles printed in this connection by their friend and fellow-militant W. Wolff, was also called "Schlesische Milliarde" ('Silesian Thousand Million').

"What are a thousand million", wrote Engels, "in comparison with this colossal reclamation which is now being made in the name of the entire working-class-for this is how it must certainly be understood! If the entire accumulated capital of the possessing classes is nothing but 'unpaid labour', it seems to follow directly from this that labour will be paid later, i.e., that the entire capital in question will be transferred to labour." [8] Engels wrote in a review of "Capital" that "... who has eyes to see sees here clearly enough the demand for a social revolution ". [9]

One of the most important things to be realized from the study of Marx's economic theory is that the capitalist mode of production is progressive in comparison with pre-capitalist forms. Only this form of society could accumulate that wealth and ensure that development of the productive forces which established the basic condition for the transition to socialism in which members of society can develop their abilities to the full. In this, there is, an essential difference between Marx's theory and the utopian views of pre-Marxist socialism, between his ideas and the petty bourgeois theories of that time. Engels notes that "As compared with the ordinary socialists, it is to be recognized as the merit of Marx that he also demonstrates an advance just where the extremely one-sided development of present conditions is accompanied by directly discouraging consequences. As everywhere in the description of the extremes of wealth and poverty resulting from the factory system in general. etc. [10] In the Instructions for Delegates of the Provisional Central Council at the 1st Congress of the Working Men's International Association, Marx writes the following about child labour in capitalism: "We consider the tendency of modern industry to make children and juvenile persons of both sexes co-operate in the great work of social production, as a progressive, sound and legitimate tendency, although under capital it was distorted into an abomination." [11]

When capitalism has fulfilled its historical mission and socialized all aspects of labour, it becomes as Marx also shows, an obstacle for the progress of society. It thus compels the working-class to take power into its own hands and, in the interests of the whole of society, to abolish the form of appropriation of wealth which prevails in capitalism. Marx comes to this conclusion after discovering the economic law of motion of capitalist society.

In contrast to the pseudo-socialists Lassalle and Proudhon, Marx provided an all-round substantiation of the thesis that the socialist revolution is necessary for the complete liberation of the working-class. Other measures, if they do not attack the monopoly of the capitalist class, the owners of the means of production, cannot liberate the working-class from wage slavery. This does not mean at that Marx contested the usefulness of such actions. He only considered that they are of secondary importance when it is a question of the liberation of the working-class from capitalist exploitation. Here is a characteristic example of this.

Marx analyzes the co-operative movement in capitalism and states that "We acknowledge the co-operative Movement as one of the transforming forces in the present society based upon class antagonism. Its great merit is to show practically, that the present pauperising, and despotic system of the *subordination of labour* to capital can be superseded by the republican and beneficial system of the association of *free and equal producers* . . . We recommend to the working men to embark in co-operative production rather than in co-operative stores. The latter touch but the surface of the present economical system, the former attacks its groundwork."[12] In the third volume of "Capital", and in "Theories of Surplus-Value", Marx repeatedly speaks of the co-operative factories of the workers in England.[13] who thus showed that the capitalist as such had ceased to be a necessary figure in the production-process. In the "Inaugural Address of the Working Men's International Association", Marx assesses the co-operative movement, and especially cooperative factories, as a "... victory of the political economy of labour over the political economy of property ... The value of these great social experiments cannot be over-rated. By deed, instead of by argument, they have shown that production on a large scale, and in accord with the behests of modern science, may be carried on without the existence of a class of *masters* employing a class of *hands*; that to bear fruit, the means of labour need not be monopolised as a means of dominion over, and of extortion against, the labouring man himself; and that, like slave labour, like serf labour, *hired labour* is but a transitory and inferior form, destined to disappear before *associated labour* plying its toil with a willing hand, a ready mind and a joyous heart."[14]

The co-operative factories of the workers in England confirm the important conclusion which followed from Marx's economic theory that important basic conditions for the communist mode of production evolve precisely in the very heart of capitalism. In the co-operative factories, "social production controlled by social foresight "[15] had proved, already in capitalism, its advantages over the capitalist economic system. "... social production controlled by social foresight" is how Marx defines in the Inaugural Address the political economy of the working-class by which he means the economy of the future, communist society. Nevertheless, Marx warns the workers "that, however excellent in principle and however useful in practice, co-operative labour, if kept within the narrow circle of the casual efforts of private workmen, will never be able to arrest the growth in geometrical progression of monopoly, to free the masses, nor even to perceptibly lighten the burden of their miseries."[16] Only when the working-class has

seized political power can it develop co-operative labour on an all-national scale, i.e., really liberate the working classes. "To convert social production into one large and harmonious system of free and co-operative labour, *general social changes* are wanted, *changes of the general conditions of society*, never to be realised save by the transfer of the organised forces of society, viz: the State power, from capitalists and landlords to the producers themselves."[17]

In his reviews of "Capital", Engels expressed the hope that the Social Democratic deputies would turn this work into their "*theoretical Bible*" and make it "the armoury ... from which they take their best arguments".[18]

With regard to the discussion about to be held at that time in the North German Reichstag on trade and factory regulations, Engels wrote that "We expect none of the deputies elected by German working men to go to the discussion of this law without first fully familiarizing himself with *Marx's* book ... Under these conditions, four or five representatives of the proletariat are *a power* when they know how to use their position, when above all they know what it is all about, which is what the people do not know. And, for this, *Marx's* book provides them with all the material ready for use."[19]

Marx took a great deal of trouble to popularize his economic theory in the ranks of the working-class and he demanded this from his fellow-militants, too. Concerning Wilhelm Liebknecht, he wrote "that it is in fact his duty to direct attention to my book at *meetings of workers*. If he does not, the Lassalleans will take charge of the affair, and in the wrong way."[20]

In June 1865, at two sessions of the Central Council of the First International, Marx held a lecture on "Value, Price and Profit" in which he described the foundations of his theory of surplus-value. He informed Engels that "... in the second part, in extremely compressed but relatively popular form, the thing contains much new material which anticipates my book "[21] Marx's efforts to communicate his scientific discoveries primarily to a working-class audience is the best evidence that with his economic theory he had created the political economy of the working-class. As he wrote to the metal-worker Carl Klings, "... you can be sure that in me the working-class will always find a true protagonist."[22] For the whole of his life, Marx proved how justified these words were.

1865 does not fall within the scope of this book since it deals with the period up to 1863, However, in this chapter an exception is made, especially for Marx's book "Value, Price and Profit" in which he uses his theoretical principles to solve specific questions of the working-class movement. The analysis of this work, the evidence of how Marx proceeded from theory to practice, concludes those chapters in the present book which examine how Marx elaborated his theoretical theses.

The manner in which Marx presents his economic theory in "Value, Price and Profit" differs considerably from that in which he wrote "Wage-Labour and Capital" in 1847. This is only to be expected since between 1847 and 1865 Marx had worked out the theories of value and surplus-value, the theory of average profit and price of production and the theory of land-rent, in short, his entire economic theory. And now we have before us a work in which the general principles of political economy are used to solve the practical problems of the working-class.

Marx gave his lecture on value, price and profit for a quite specific reason. John Weston, a member of the General Council and a carpenter by trade, was endeavouring to prove to the General Council that it was useless for the workers to try and achieve an increase in the general wage-level since this, so he believed, would lead to a general rise in prices. From this, Weston drew the conclusion that trade unions were 'harmful'. The refutation of the views of Weston was made even more urgent by the fact that they were expressed at a time when the working-class in general was demanding an increase in wages. Furthermore, the Proudhonists and Lassalleans shared the opinion of Weston. Lassalle's thesis of "the iron law of wages" resulted in a negative relationship with the trade unions and with the economic straggle of the working-class in general. An answer to it had to be given and Marx used all of the main theses of his economic theory to give a convincing answer.

He proved that the views referred to above implied the same thing as the assertion of the vulgar economists that value was determined by costs of production.

Ricardo likewise determined value by the costs of production but, by this term understood the labour-time which is necessary for the production of a commodity. However, the formula which states that the value of a commodity is determined by its production-costs also allows of the denial of the theory of labour-value in general.

The vulgar economists took advantage of this and by production-costs understood that which the production of the commodity costs the capitalist, i.e., the value of the invested capital ($c + v$).

Surplus-value (profit) then appears as an addition to value; as "profit on alienation". The value of a commodity is then determined by the "value of the labour", i.e., by the wage. Other vulgar economists, such as Say, for instance, understood by production-costs the sum of the "services" which capital, earth and labour contribute to production. They determined the magnitude of these costs by the relation between supply and demand. The fact that Ricardo and the vulgar economists had different views on production-costs led to "a mass of later fellows post Ricardum (after Ricardo), such as Say himself, being able to assume that the cost of production was the final regulator of prices without having the slightest idea of the determination of value by labour-time and even directly denying this while others assert it".[\[23\]](#)

It must be stated that Marx, in "Wage-Labour and Capital", subscribed to Ricardo's interpretation of the formula which states that the value of a commodity is determined by the costs of production; "We have just seen how the fluctuations of supply and demand always bring the price of a commodity back to its price of production."[24] Marx then established the relationship of production-costs with value: "The determination of price by cost of production is tantamount to the determination of price by the labour-time required to the production of a commodity, for the cost of production consists, first of raw materials and wear and tear of tools, etc., i.e., of industrial products whose production has cost a certain number of work-days which therefore represent a certain amount of labour-time, and, secondly, of direct labour, which is also measured by its duration."[25]

There is no doubt that Marx in 1847 could not have criticized Weston so convincingly and thoroughly as in 1865, since for this, in the theory of value and surplus-value, he had to go beyond Ricardo.

Now, in "Value, Price and Profit", Marx points out the vicious circle in which Weston is caught up by following the vulgar economists, who determined the value of a commodity by the value of labour, and emphasizes that here "we ... arrive at no conclusion at all."[26]

Marx had already solved this problem in his theory of value and surplus-value. This is why he now gives a concise and wonderfully clear description of his economic theory. He breaks the vicious circle and also explains the contradictions which follow from the fact that the nature of things and the form in which they appear do not coincide. Marx shows that profit, although it appears on the surface of the phenomena as an addition to the value, can only be comprehended when it is assumed that commodities are sold at their value. Marx also discovered another contradiction which is the other side of the coin of that just mentioned. Although the wage does actually appear as the value of labour on the surface of bourgeois society, it is nevertheless in reality only the value of the labour-power, which is obviously less than the value of the labour or, more accurately, than the value of the product which the labour produces.

Concerning this, Marx says that "This seems paradox and contrary to everyday observation. It is also paradox .that the earth moves round the sun, and that water consists of two highly inflammable gases. Scientific truth is always paradox, if judged by everyday experience, which catches only the delusive appearance of things. "[27]

There is no intention here of giving a detailed examination of how Marx presents the theory of value and surplus-value. in "Value, Price and Profit". Our main interest here centres on the practical conclusions that Marx draws from his theory. First of all, however, the comparison of this work with "Wage-Labour and Capital" has to be continued. For this, the "Manifesto of the Communist Party" will also be consulted and it will be demonstrated that without a scientific political economy there can be no

correct political economy of the working-class. But in the 1840's Marx had not yet created a scientific political economy. In the "Manifesto of the Communist Party", he was still speaking of the selling of labour and, like Ricardo, determined the price of all commodities, i.e., of labour as well, by their costs of production.[28] It has already been noted that this formula was ambiguous and enabled the theory of value to be interpreted in their own way by the vulgar economists. It was precisely this aspect which was seized upon by petty bourgeois socialists of the Proudhon type. Marx subsequently wrote that Proudhon in the theory of value "has completely confused people. They believe that a commodity is sold at its value when it is sold at its *prix de revient* = price of the means of production used for it + the wage of the labour. They do not see that the *unpaid labour* contained in the commodity is just as important a value-forming element as that which is paid. . ."[29]

In "Wage-Labour and Capital", he gives an example to explain the mechanism of capitalist exploitation, the source of profit. "For one shilling a labourer works all day long in the fields of a farmer, as a result of which the farmer secures a return of two shillings. The farmer not only receives the replaced value which he has given to the day-labourer; he has doubled it ... For the one shilling he has bought the labour-power of the day-labourer, which creates products of the soil of twice the value, and out of the shilling makes two."[30] It is not difficult to understand here that the mechanism of capitalist exploitation is not explained on the basis of the law of value.

When the labourer sells his labour to the capitalist, it is incomprehensible why he receives for it only half the value which is produced by it. This is an obvious violation of the law of value, the law of equivalent exchange. At a later date, Marx was only able to explain this contradiction by distinguishing between labour and labour-power. This is because the key to the problem is that the value of the labour, i.e., the value of the product of this labour, is greater than the value of the labour-power. In "Value, Price and Profit", Marx quotes a similar example and states that "The *value* of the labouring power is determined by the quantity of labour necessary to maintain or reproduce it, but the *use* of that labouring power is only limited by the active energies and physical strength of the labourer... As he has sold his labouring power to the capitalist, the whole value or produce created by him belongs to the capitalist ..."[31] Marx succeeded in solving this particularly important problem by distinguishing between use-value and the value of labour-power as a commodity.

Marx analyzes the value of labour-power and points out that it is not the same in all of the various branches of production. From this, he immediately draws the practical conclusion that "The cry for an equality of wages rests, therefore, upon a mistake, is an insane wish never to be fulfilled . . . What you think just or equitable is out of the question. The question is: what is necessary and unavoidable with a given system of production ?"[32] This shows in remarkably clear words how Marx elaborated the scientific economic policy of the working-class, in the struggle with the capitalist class, on the basis of a scientific political economy. Furthermore, the analysis of labour-power

as a commodity leads to the conclusion that the value of this commodity on the surface of bourgeois society necessarily appears as the value of the actual labour. This is explained by the fact that the worker receives his wage after he has done his work and also that he actually allows the capitalist to take his work. This is why the unpaid labour appears as paid labour although the capitalist in reality only pays for a part of the labour of the worker. This is how Marx exposes one of the most deceptive (or, as he said, "irrational") categories of the capitalist mode of production : wages. For the working-class and the working-class movement, this was of enormous significance. "Once the interconnection is grasped", wrote Marx, "all theoretical, belief in the permanent necessity of existing conditions collapses before their collapse in practice."[\[33\]](#) And this is why Marx also took such great pains to explain this interconnection to the workers. We wish to be understood by the workers "[\[34\]](#) he wrote in "Wage-Labour and Capital" and he noted with pride that "... workers ... understand my book and find their way about in it ..."[\[35\]](#)

But "to grasp the interconnection" was of no less importance when it was a question of determining the correct economic policy of the working-class. This is clearly shown in the question of the struggle of trade unions for higher wages and a legal limitation of the length of the working day. Let us see how Marx solves this cardinal problem for the working-class movement in "Value, Price and Profit" and compare this with his treatment of it, in "Wage-Labour and Capital" and in the "Manifesto of the Communist Party".

Above all, Marx shows why it is also important from the practical point of view to define the category of surplus-value in its pure form. Naturally, the whole of the surplus-value does not flow as industrial profit into the pocket of the industrial capitalist. He must share it with the loan-capitalist" and the landowner. But, for the working-class, this is of minor importance:" It is the employing capitalist who immediately extracts from the labourer this surplus-value, whatever part of it. he may ultimately be able to keep for himself. Upon this relation, therefore, between the employing capitalist and the wage labourer the whole wages system and the whole present system of production hinge."[\[36\]](#)

Marx also draws attention to the difference between profit-rate and rate of surplus-value. In "Value, Price and Profit", he also calls the rate of surplus-value the profit-rate. Here he is speaking of two expressions for profit-rate and stresses that only the relation of profit to that part of the capital which is advanced for in wages indicates the actual degree of exploitation of labour, the real relation between paid and unpaid labour. "A general rise of wages. would. Therefore result in a fall of the general rate of profit, but not affect values "[\[37\]](#) ('rate of profit' Means 'rate of surplus-value' here-V. V.) This is the first important conclusion that Marx draws on this question from the theory of surplus-value.

In "Wage-Labour and Capital", Marx still speaks-like Ricardo-of the inverse proportionality between wages and profit : "*Profit rises in the same degree in which wages fall; it falls in the same degree in which wages rise.*"[38]

Marx now takes this thesis a great deal further. An inverse relationship of this kind exists between wages and surplus-value. Since the law of the tendency of the profit-rate to fall applies here, the profit-rate can become less although wages do not rise and, consequently, although the rate of surplus-value does not become less. (Conversely, with the development of capitalism and. with the rise in labour productivity, there is a tendency for the rate of surplus-profit to increase.) "The profit-rate falls ... not because labour is exploited less but (because he is exploited) more ..." [39]

In "Value, Price and Profit", Marx investigates the principal attempts of the workers to raise wages or stop them from falling.

When food becomes more expensive or the value of money becomes less, the value of labour-power increases and the worker must fight for a rise in wages. If the value of labour-power falls, he must oppose the reduction of wages since "... he would only try to get some share in the increased productive powers of his own labour, and to maintain his former relative position in the social scale." [40]

Finally, Marx concerns himself with the length of the working day. He describes the constant tendency of capital to increase the working day and to increase the intensity of labour. From, this he draws the following conclusion : "In their attempts at reducing the working day to its former rational dimensions, or, where they cannot enforce a legal fixation of a normal working day, at checking overwork by a rise of wages, a rise not only in proportion to the surplus time exacted, but in a greater proportion, working men fulfil only a duty to themselves and their race. They only set limits to the tyrannical usurpations of capital." [41] When the worker opposes the tendency of capital to increase the intensity of labour "... by struggling for a rise of wages corresponding to the rising intensity of labour, the working man only resists the depreciation of his labour and the deterioration of his race." [42]

It must be said that in the 1840's Marx and Engels did not assess the struggle of the trade unions for higher wages and a shorter working day in this light. It is true that even at this time Marx recognized the trade unions as a. means of uniting the working-class but he assumed that the "costs which they cause working men are mostly greater than the increase in wages which they want to achieve. In the long run, they cannot resist, the laws of competition." [43] While Marx and Engels denied the *economic* importance for this period of the strike actions of the working-class, they still regarded the *political* significance of this struggle for the 1840's as being extremely important in preparation for the overthrow of the whole of the old society.

It was at this time that Engels opposed the struggle of the working-class for the ten-hour day and spoke out against strike action in general. Referring to the Act passed in 1847 by Parliament, which limited the working day to ten hours for juveniles and women, he wrote in 1850 that "The Ten-Hour Bill was in principle and as a concluding measure quite definitely a false step, an unpolitical and even reactionary measure which incorporates the germ of its own destruction."^[44] When, at the end of December 1851, English engineering workers began a strike, demanding the abolition of overtime work and better working conditions, Engels assumed that this strike would delay the spread of the economic crisis and thus the outbreak of the revolution. This is why he called it "stupid".^[45]

That Marx and Engels took up this position resulted directly from their views on economics at that time. In "Wage-Labour and Capital", Marx described wages as the value or price of labour and wrote that "Now, the same general laws which regulate the price of commodities in general, naturally regulate *wages*, or the *price* of labour-power. The *price of labour-power will be determined by the cost of its production, by the labour-time necessary for production of this commodity: labour-power ...* Thus the cost of production of simple labour-power amounts to the *costs of existence and propagation* of the worker. The price of this cost of existence and propagation constitutes wages. The wages thus determined are called the *minimum of wages*."^[46] In the "Manifesto of the Communist Party", Marx and Engels likewise remarked that the average price of wage labour is the minimum wage.^[47] It must be said that the theory of the minimum of wages is a purely bourgeois approach to the problem which dates back to the Physiocrats. Marx subsequently wrote that "The *minimum of the salary* forms ... the axis of physiocratic doctrine". The Physiocrats went wrong in "that they regarded this *minimum* as an unvarying magnitude which, with them, is determined entirely by Nature, not by the stage of historical development, which is itself a magnitude subject to movements ..."^[48]

In "Value, Price and Profit", Marx took a different view of this important problem. Here, too, he first of all determines the value of labour-power by the quantum of labour which is needed to produce the food which the worker needs to maintain himself and for the reproduction of labour-power. Later, however, he says that "there are some peculiar features which distinguish the *value of the labouring power*, from the values of all other commodities. The value of the labouring power is formed by two elements-the one merely physical, the other historical or social."^[49] The value of the food needed is only the lowest limit of labour-power. The value of labour-power is also determined by the "*traditional standard of life*"^[50] which has become established in the particular country in question. What is the maximum of the value of labour-power? It is just as impossible to determine this as it is to determine the minimum rate of surplus-value. The capitalist always strives for a maximum profit, i.e., he endeavours to reduce wages to the physical minimum and to extend the working day to the physical maximum. Fixation of the actual level of wages and the actual length of the working day "... is only settled by the

continuous struggle between capital and labour ... The matter resolves itself into a question of the respective strength of the combatants."[51]

It should be pointed out that Marx assessed the struggle of the workers for higher wages in 1853 in an article published in the "New York Tribune" differently than he did in the 1840's. "There is a sort of philanthropes and even socialists who believe that strikes damage the interests of the ' worker himself' and who claim that their main task is to find a method to secure constant average wages." Marx based his arguments on the cyclical development of capitalism, which" makes all such average wages impossible " and which causes "the sequence of the rise and fall in wages and the resulting never-ending conflicts between capitalists and workers."[52]

It is indeed true that the problem is formulated in different terms from the words used in the 1840's but it was only when Marx had distinguished between labour and labour-power that he was in a position to make a thorough analysis of labour-power, this commodity which is fundamentally different from all other commodities. Marx noted that "The entire world of 'commodities' can be divided into two great parts. Firstly, labour capacity-secondly, the commodities differing from labour capacity itself."[53] Only after an analysis of labour-power as a commodity was it possible to comprehend the relation between labour and capital, not as a physical relation between "accumulated " and, "direct" labour which is how the bourgeois economists viewed it, but as a specifically social relation, i.e., as a class relation, which cannot be understood apart from the class-struggle between workers and capitalists. From Marx's theory it follows that the struggle of the working-class for higher wages and shorter hours is directly dictated by economic necessity and results directly from the general tendency of capital to force wages down to the physical minimum. (It is in this direction that the law of capitalist accumulation operates.) Should "the working class ... renounce their resistance against the encroachments of capital they would be degraded to one uniform mass of broken wretches past salvation."[54]

It is consequently not at all astonishing that Marx and Engels should have assessed the Ten Hours' Bill, which was passed by Parliament on 5th June 1847, quite differently in the 1860's from the 1840's. "The immense physical, moral and intellectual benefits hence accruing to factory operatives, half-yearly chronicled in the reports of the inspectors of factories, are now acknowledged on all sides", wrote Marx in the Inaugural Address. "Hence the Ten Hours' Bill was not only a great practical success ; it was the victory of a principle, it was the first time that in broad daylight the political economy of the middle class succumbed to the political economy of the working class."[55]

Marx continued with this approach when in 1866 he raised the demand for legal enactment of an eight-hour working day. In the Instructions for the Delegates of the Provisional Central Council to the 1st Congress of the Working Men's International Association, he wrote that "A preliminary condition, without which all further attempts

at improvement and emancipation must prove abortive, is the *limitation of the working day*. We propose *8 hours work* as the *legal limit* of the working day."[56] This demand became one of the principal slogans in the struggle of the working-class throughout the world.

It is also quite understandable why Marx in the 1860's had such an exceptionally high regard for the activities of trade unions: "If the Trades' Unions are required for guerrilla fights between capital and labour, they are still more important as *organised agencies for superseding the very system of wages labour and rule by capital*."[57]

Marx regarded the daily struggle of the working-class for the improvement in their economic position as an important aspect but not the principal direction of struggle against the capitalists: He stressed that the working-class in this everyday struggle are only ".. fighting with effects, but not With the causes of those effects ... They ought to understand that, with all the miseries it imposes upon them, the present system simultaneously engenders the *material conditions* and the social forms necessary for an economic reconstruction of society."[58] This is the scientific reason why the conservative slogan "A fair day's pay for a fair day's work" must be replaced by the revolutionary slogan "Down with the wages system ! "[59]

A detailed description has been given here of how Marx criticized Proudhonism and how significant this critique has been for the working-class movement. However, it was only when Marx had formulated his own theory of economics that he was able to complete this critique.

This is why it was only at the end of the 1850's that he drew up a scientific critique of the idea of an interest-free credit that Proudhon had had already at the beginning of the 1850's. By the end of this decade, Marx was able to show why this idea was unworkable in practice and that it was because of this that Proudhon had not understood the necessity for the existence of money in capitalist society.

Marx later wrote that "Proudhon's discovery of `credit gratuit' (interest-free credit) and of the people's bank (`banque du peuple') based on it were his last economic 'deeds'. In my book ' A Contribution to the Critique of Political Economy' ... the proof will be found that the theoretical foundation of his view stems from a misunderstanding of the first elements of bourgeois political economy', namely, the relation of *commodities* to *money* ..."[60] Marx understood very well indeed the significance of his economic theory for the struggle against various pseudo-socialist influences on the working-class. Marx concerned himself with the translation of the first volume of "Capital" into French and explained why it was essential for confrontation with Proudhon: "I consider it of the very greatest importance to emancipate the French from the false views in which Proudhon with his idealized petty-bourgeois standpoint has buried them. At the recent Congress in Geneva and in the relations which, as a member of the General Council of

the working Men's International Association, I have with the Paris branch, one is constantly confronted with the vilest consequences of Proudhonism." [61]

Many similar documents could also be quoted, but this is scarcely necessary. "Minds are always connected by invisible threads with the body of the people", wrote Marx. [62] His theory of economics expresses the basic interests of the working-class, reveals the objective tendencies of social development and-no longer merely by invisible threads-is inseparably associated with the international working-class movement and this has brought rich rewards.

Footnotes

[1] K. Marx, Capital, Vol. I Afterword. to the 2nd German edition. 1. c.. p.13.

[2] K. Marx, letter to Kugelmann of 23 August 1866, in: K. Marx, Letters to Dr. Kngelmann, 1.c. pp. 37-38.

[3] F. Engels, Karl Marx, in: K. Marx/F. Engels, Werke, Bd. 16, p. 365.

[4] F. Engels, Preface to the "Manifesto of the Communist Party ", Foreign Languages Publishing Horse, Moscow (year unknown), p.15,

[5] F. Engels, review of the first volume of "Capital" for the "Demokratisches Wochenblatt", in: K. Marx/F. Engels, Werke, Bd. 16, p.235.

[6] F. Engels, review of the first volume of "Capital" for the "Elberfelder Zeitung", in: K. Marx/ F. Engels. 1, Werke, Bd. 16, p. 215.

[7] Ibid., p. 214.

[8] Ibid.

[9] F. Engels. review of ,the first volume of "Capital " for the "Dusseldorfer Zeitung " , in: K. Marx/F. Engels, Werke, Bd. 16, p. 216.

[10] F. Engels, review of the first volume of "Capital" for the "Beobachter". in: K. Marx/ F, Engels, Werke, Bd. 16, p. 227.

[11] K. Marx, Instructions for the Delegates of the Provisional Central Council. in: "The International Courier " , 20 February and 13 May 1867, Nos. 6, 7, 8. 9 et 10.

[12] Ibid.

[13] C.f. K. Marx, *Das Kapital*, Bd. III. in: K. Marx/F. Engels, *Werke*. Bd. 25. Dietz Verlag. Berlin 1964, op.. 400, 556; cf. K. Marx., *Theorien über den Mehrwert*, Teil, 1. pp. 351, 494, 502.

[14] K. Marx, *Inaugural Address of the Working Men's International association*, in: Karl Marx, *Selected Works*, Vol, 2, Lawrence Wishart, London 1945, p. 439.

[15] *Ibid.*

[16] *Ibid.*, p. 440.

[17] K, Marx, *Instructions for the Delegates of the Provisional Central Council*, in: "The International Courier ", 20 February and 13 May 1867, Nos. 6, 7, 8, 9 et 10.

[18] F. Engels, review of the first volume of "Capital" for the "Rheinische Zeitung", in K. Marx/F. Engels, *Werke*, Bd. 16, p. 210.

[19] E. Engels, review of the first volume of "Capital" for the "Demokratisches Wochenblatt", in: K. Marx/F. Engels, *Werke*. Bd. 16. p. 240.

[20] K. Marx, letter to Kugebnann. of 30 November 1867, in: K. Marx, *Letters to Dr. Kugelmann*, l. c., p. 54.

[21] K. Marx, letter to Engels of 24 June 1865, in: K. Marx/F. Engels, *Werke*, Bd. 31, p. 123.

[22] K. Marx, letter to Klings of 4 October 1861, in: K. Marx/F. Engels, *Werke*, Bd. 31, p. 418.

[23] K. Marx, *Theorien über den Mehrwert*, 2. Teil, c., p. 207.

[24] K. Marx, *Wage-Labour and Capital*, Martin Lawrence Ltd., London 1932, p. 24.

[25] *Ibid.*, p 25.

[26] K. Marx, *Wages, Price and Profit*, in: Karl Marx and Frederick Engels, *Selected Works*, Progress Publishers, Moscow 1970, p. 200. (Translator's note: the original German title of *Lohn, Preis and Profit* is sometimes translated as "Value, Price and Profit (e. g., as in the book of the same name published by George Allen & Unwin of London in 1938); quotations from the latter publication also appear in the present book.)

[27] *Ibid.*, p. 206-7.

[28] Cf. K. Marx/F. Engels, *Manifesto of the Communist Party*, Foreign Languages Publishing House, Moscow (year not stated).

[29] K. Marx, letter to Schily of 30 November 1867, in: K. Marx/F. Engels, Werke, Bd. 31, p. 573.

[30] K. Marx, Wage-Labour and Capital, I. c., p. 31.

[31] K. Marx, Value, Price and Profit, London 1938, George Allen & Unwire, pp. 59-61.

[32] Ibid., p. 57/58.

[33] K. Marx, letter to Kugelmann of 11 July 1868, in: Marx/Engels, Selected Correspondence, I. c., p. 252.

[34] K. Marx, Wage-Labour and Capital, I. c., p. 16_

[35] K. Marx. letter to Kugelmann of July 1565, in: Marx/Engels, Selected Correspondence, I. c., p. 252.

[36] K. Marx, Value, Price and Profit, I. c., p. 67/68.

[37] Ibid., p. 73.

[38] K. Marx, Wage-Labour and Capital, I. c., p. 37.

[39] K. Marx, Theorien uber den Mehrwert, I. c., p. 436.

[40] 40 K. Marx, Value, Price and Profit, I. c., p. 73.

[41] Ibid., p. 80.

[42] Ibid., p. 82.

[43] K. Marx, Arbeitslohn, in: K. Marx/F. Engels, Werke, Bd. 6, p. 554.

[44] F. Engels, Die Zehnstundenfrage, in: K. Marx/F. Engels, Werke, Bd. 7, p. 228.

[45] F. Engels, letter to Marx of 2 March 1852, in: K. Marx/F. Engels, Werke, Bd. 28, p. 35.

[46] K. Marx. Wage-Labour and Capital, I. c., 26/27.

[47] Cf. K. Marx/F. Engels, Manifesto of the Communist Party, Foreign Languages Publishing House, Moscow (year not stated).

[48] K. Marx, Theorien uber den Mehrwert, I. Teil, c., p11

[49] K. Marx, Value, Price and Profit, 1. c.

[50] Ibid.

[51] Ibid.

[52] K. Marx, Die russische Politik gegenüber der Türkei - Die Arbeiterbewegung in England, in: K. Marx/F. Engels, Werke, Bd. 9, Dietz Verlag, Berlin 1960, p. 170.

[53] K. Marx, Theorien über den Mehrwert, 5. Teil, 1. c., p. 130.

[54] K. Marx, Value, Price and Profit, 1. c., p. 92.

[55] K. Marx, Inaugural Address. of the Working Men's International Association, 1.c. p439.

[56] K. Marx, Instructions for the Delegates of the Provisional Central Council, 1. c.

[57] Ibid.

[58] K. Marx, value, Price and Profit, 1. c., p. 93.

[59] Cf. ibid.

[60] K. Marx, On P. J. Proudhon, in: K. Marx/F. Engels, Werke, Bd. 16, p. 30.

[61] K. Marx, letter to Buchner of 1 May 1867, in: K. Marx/F. Engels, Werke, Bd. 31, p. 544.

[62] K. Marx, letter to Meyer of 21 January 1871, in: Marx/Engels, Selected Correspondence; 1. c., p. 310.

Conclusion

Forty years of work on "Capital". " I laugh at the so-called 'practical' men with their wisdom." The topicality of "Capital". "Capital" and present-day capitalism. The prospects of a new economic social formation. Marx's views of communist political economy.

At the centre of the historic events of his time

Marx worked on "Capital" for forty years—from 1843 until the last day of his life. Was this conscientious and long drawn-out work necessary ? Engels gave the answer to this question : "In all these scientific investigations which cover such a wide field and such a mass of material, it is only at all possible to achieve something tangible by studying the subject for many years. Individual aspects which are new and correct can be discovered more easily; but the grasping and interpretation of it in a new manner is only possible after an exhaustive investigation. Otherwise, books such as "Capital" would be far more numerous."^[1] This truly titanic task was not easy for Marx. The cry of a soul in torment is evident in the profoundly moving letter to Sigfrid Meyer : "Well, why didn't I answer you ? Because I was constantly hovering at the edge of the grave. Hence I had to make use of every moment when I was able to work to complete my book, to which I have sacrificed health, happiness, and family. I trust that this explanation needs no supplementation. I laugh at the so-called 'practical men' with their wisdom. If one chose to be an ox, one could of course turn one's back on the sufferings of mankind and look after one's own skin. But I should have really regarded myself as unpractical if I had pegged out without completely finishing my book, at least in manuscript."^[2]

History has shown that Marx was right. Who still recalls today the German economist Professor Wilhelm Roscher who made a name for himself in Marx's day? He is known only to specialists .in the history of political economy. Marx said that Roscher was not honest" in what he wrote but "always with an eye to the prejudices and the interests of his paymasters! A stone-breaker is respectable compared with such rabble."^[3] Nobody remembers Roscher today, nobody reads his books any longer. Marx's name, however, is known to everybody and "Capital." has become a handbook for a million people. This is because Marx served a just cause. It was precisely in this that Marx regarded his work as 'practical' and he linked his destiny with the cause of the working-class. Through this, he achieved immortality.

"Capital" is a star with a radiance of its own. Why is "Capital" immortal? Why do the people of today need it as much as those of a century ago?

In "Capital", not only are those problems solved which appeared on the stage of history a hundred years ago, but there are also the answers to many questions which affect the people of today. And the most important and most valuable aspect of "Capital" is that it sets out the method by which these problems can be solved.

In the 19th century, bourgeois economists made no mention at all of "Capital" and ignored the economic theory worked out by Marx. In the 20th century, this is impossible. Emile James, the French bourgeois economist, writes that "Never before has so much attention been devoted to the works of Karl Marx as in our epoch and not only in Soviet Russia but also in the countries of the West."[4] Our century is marked by innumerable attempts of bourgeois economists and revisionists of all shades to refute Marxism or to rob it of its revolutionary content.

Bourgeois economists and revisionists are trying to prove that capitalism in the 20th century has not developed in the way predicted in Marx's economic theory. For instance, G. D. H. Cole, the well-known Labour ideologist, asserts that Marx's views have not been confirmed by the subsequent course of events,[5] that Marx was mistaken in his analysis of the basic trends in the development of capitalism. G. Myrdal, the Swedish bourgeois economist, writes that "the prognosis of the future development of capitalist society which Marx formulated a hundred years ago has naturally proved totally untenable ".[6] These assertions are completely refuted by the course of historical development itself and also by the Marxist analysis of the economic development of capitalism in the 20th century, especially by Lenin's theory of imperialism. Lenin showed that imperialism, as the highest stage of capitalism, is the further development of the basic tendencies of capitalism. He emphasized the fact that the theory of imperialism is a direct conclusion from the analysis of the capitalist mode of production worked out by Marx.[7] In the Programme of the CPSU in which the phenomena now apparent in reality are generalized, it is said that "The development of world capitalism has fully confirmed ... the Marxist-Leninist analysis of capitalism and of imperialism as its highest stage."[8]

In "Capital", Marx revealed the fundamental and most profound tendencies in the development of the capitalist mode of production. He met in full the conditions which he himself had set for political economy: "Only by putting the conflicting facts and the real contradictions which form the hidden background to them in place of the conflicting dogmas, can political economy be changed into a positive Science."[9] In "Capital", Marx characterized capitalism so correctly and described its tendencies of development so thoroughly that Academician E. Varga could justly write that "In its social structure, modern capitalism in the highly developed countries recalls much more the capitalist society consisting exclusively of two classes-bourgeoisie and proletariat on whose assumed existence. Marx based his theoretical analysis than the actual capitalist society which existed during Marx's lifetime."[10]

In "Capital", Marx described the capitalist mode of production as a living whole, as an historically determined and thus historically transient stage of development of human society. He systematically compared capitalism both with pre-capitalist formations and also with the coming communist mode of production. On the one hand, this method enabled Marx to gain a more profound understanding of the specific nature of capitalist society and, on the other, to reveal its tendencies of development, i.e., to prove also that the socialist revolution is inevitable. In "Capital", Marx did not provide any detailed picture of future society and, indeed, this was impossible for him. "This book will be a great disappointment to many readers", wrote Engels. "... many may have imagined ... that here they would learn what it would actually be like in the communist Thousand-Year Community . . . Marx is and remains the same revolutionary that he always was . But as to what will be after the social transformation-he gives us only very obscure hints about this."[11]

Nevertheless, Marx often made remarks about communism and described a series of its basic features. These comments are of especially great interest in our epoch in which the building of communist society has become the immediate practical task of the Soviet people.

If we sum up what Marx has to say about communism in the four volumes of "Capital" and in "Grundrisse", a reasonably harmonious and complete picture is obtained of communist society as Marx saw it.

In "Capital", Marx demonstrated that it is the capitalist mode of production itself which produces the material conditions that make its downfall inevitable. In capitalism, the contradiction between the productive forces and the relations of production develops as a contradiction between the social character of production and the .private form of appropriation. "The contradiction of the capitalist mode of production, however, lies precisely in its tendency towards an absolute development of the productive forces, which continually come into conflict with the specific conditions of production in which capital moves, and alone can move."[12]

The basic contradiction of capitalism and the forms in which it unavoidably appears-the anarchy of social production and of the periodic economic crises-set limits to the development of the productive forces within capitalist relations of production. "It is for this reason that the capitalist mode of production meets with barriers at a certain expanded stage of production which, if viewed from the other premise, would reversely have been altogether inadequate. It comes to a standstill at a point fixed by the production and realization of profit., and not the satisfaction of requirements."[13]

Marx showed that the productive forces developing in the bosom of capitalism are irreconcilable with capitalist relations of production. The growing concentration and centralization of production and of capital increasingly separated the conditions of social production from the direct producers. Joint-stock companies appeared, regarding

which Marx wrote that "This result of the ultimate development of capitalist production is a necessary transitional phase towards the reconversion of capital into the property of producers, although no longer as the private property of the individual producers, but rather as the property of associated producers, as outright social property."[14] In a supplement to the third volume of "Capital", Engels described the new forms of industrial enterprises which had developed in the meantime: cartels, trusts and international cartels monopolizing entire branches of industry, Engels pointed out that in this way "...the road has been paved, most gratifyingly, for future expropriation by the whole of society, the nation."[15] Marx wrote that "The contradiction between the general social power into which capital develops, on the one hand, and the private power of individual capitalists over these social conditions of production, on the other, becomes ever more irreconcilable, and yet contains the solution of the problem, because it implies at the same time the transformation of conditions of production into general, common, social conditions."[16]

The transition from capitalism to communism does not take place by itself. For this, the working-class must break the dominance of the capitalist class in a revolutionary manner and seize political power by establishing the dictatorship of the proletariat. The thesis that the socialist, proletarian revolution is necessary to replace the capitalist by a communist mode of production is the most important conclusion to be drawn from the economic theory of Marx. In this connection, Marx and Engels pointed out that the "... revolution might be effected entirely by peaceful and legal means ." but they did not forget to add that they scarcely expected "... the ruling

142classes to submit, without a 'pro-slavery rebellion', to this peaceful and legal revolution."[17]

The antagonism between bourgeoisie and proletariat is generated by the basic contradiction of capitalism. Marx stated that "It follows therefore that in proportion as capital accumulates, the lot of the labourer, be his payment high or low, must grow worse."[18] At the same time, there develops "... with the accumulation of capital, the class-struggle, and, therefore, the class-consciousness of the workingmen ..."[19]

He remarked that the process of capitalist accumulation affects the worker negatively in three ways:-

" 1) The perpetuation of the means of production as property alien to him, as capital, perpetuates his condition as wage-worker and hence his fate of always having to work part of his labour-time for a third person for nothing. 2) The extension of these means of production, alias accumulation of capital, increases the extent and the size of the classes who live on the surplus labour of the worker; it worsens his position relatively by augmenting the relative wealth of the capitalist and his co-partners, by further increasing his relative surplus labour through the division of labour, etc., and reduces that part of the gross product which is used to pay wages; finally, since the conditions of

labour confront the individual worker in an ever more gigantic form and increasingly as social forces, the chance of his taking possession of them himself as is the case in small-scale industry, disappears."[20] The working-class must therefore carry out the social revolution to free itself and it k; this which constitutes its historical mission. Marx stressed that "... when the working-class comes into power, as inevitably it must,[21] . . . the evil of bourgeois society ..." cannot be remedied "... by bank 'conversions' or the establishment of a rational 'monetary system'.. "[22]

The conclusion that the downfall of the capitalist mode of production is inevitable was expressed by Marx in the following words: "Along with the constantly diminishing number of the magnates of capital ... grows the mass of misery, oppression, slavery, degradation, exploitation, but with this too grows the revolt of the working-class, a class always increasing in numbers, and disciplined, united, organised by the very mechanism of the process of capitalist production itself. The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished, along with, and under it. Centralisation of the means of production and socialisation of labour at last reach a point where they become incompatible with their capitalist integument. This integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated."[23]

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As a result of the socialist revolution, the means of production are converted into social property, thus establishing the unity of the producers and the conditions of production. The conditions of production lose their alienated form for the working people. The "ruling principle" of communist society is "... the full and free development of every individual ..."[24]

Human society becomes consciously transformed. "Free individuality, based on universal development of individuals and the subordination of their common, social productivity as their social property"[25] - this is how Marx in "Grundrisse" described the development of personality in communism.

And, in the first volume of "Capital", Marx characterized communist society as follows: "Let us now picture to ourselves ... a community of free individuals, carrying on their work with the means of production in common, in which the labour-power of all the different individuals is consciously applied as the combined labour-power of the community ... The total product of our community is a social product. One portion serves as fresh means of production and remains social. But another portion is consumed by the members as means of subsistence. A distribution of this portion amongst them is consequently necessary. The mode of this distribution will vary with the productive organisation of the community, and the degree of historical development attained by the producers. We will assume, but merely for the sake of parallel with the production of commodities, that the share of each individual producer in the means of

subsistence is determined by his labour-time. Labour-time would, in that case, play a double part. Its apportionment in accordance with a definite social plan maintains the proper proportion between the different kinds of work to be done and the various wants of the community. On the other hand, it also serves as a measure of the portion of the common labour borne by each individual, and of his share in the part of the total product destined for individual consumption. The social relations of the individual producers, with regard both to their labour and to its products, are in this case perfectly simple and intelligible, and that with regard not only to production but also to distribution."[26]

Marx is referring here to socialism, the first phase of development of communist society. In this phase, it is a question of "From each according to his ability. to each according to his work!" Marx provides a detailed description of the concept of the two phases of communist society in, the "Critique of the Gotha Programme" of 1875.[27]

Under communist relations of production, no limits are set for the development of the productive forces since in this case social production "is ... regulated immediately, by the wants of society, and controlled by it ..."[28] The findings of science and technology can be applied without restriction both in industry and in agriculture. In communist society, machines are a means of saving social labour and of making work easier. Marx writes that

144" The use of machinery for the exclusive purpose, of cheapening the product, is limited in this way, that less labour must be expended in producing the machinery than is displaced by the employment of that machinery."[29] The criterion of whether there is an increase in labour productivity and consequently of whether the machines can be used or not consists here in the reduction of the quantum of total labour associated with the product-unit. For the capitalist, this criterion is unacceptable since he does not pay for the labour used but for the value of the labour-power used. This is why for him the use of machines is limited by the difference between the value of the machines and the value of the labour-power which they replace. "Hence in a communistic society", notes Marx, "there would be a very different scope for the employment of machinery than there can be in a bourgeois society ".[30]

In communist society, "a rational agriculture" will be possible for the first time, "... a common, all-embracing and far-sighted control of the production of raw materials" as Marx stresses, "the capitalist system works against a rational agriculture ..."[31] Above all, the socialist revolution will eliminate private ownership of land and, with it, absolute land-rent, i.e., the basis of existence of the parasitic class of landowners. "From the standpoint of a higher economic form of society; private ownership of the globe by single individuals will appear quite as absurd as private ownership of one man by another."[32] As early as 1851, Marx told Engels that in the course of his studies he had become increasingly more certain that "the reform of agriculture, i.e., also of the

ownership nonsense based on it, is the alpha and omega of the coming transformation. Without this, old Malthus is still right."[33]

Capitalism divorces industry from agriculture. "It is in the nature of capitalist production that it develops industry more rapidly than agriculture. This is not owing to the nature of the land, but to the fact that, in order to be exploited really in accordance with its nature, land requires different social relations."[34] It is only communist society which will establish a new and superior synthesis by uniting agriculture and industry.[35]

The spontaneous action of the law of value will be replaced by reasoned economic planning on the basis of objective economic laws. "... That same bourgeois mind denounces with equal vigour every conscious attempt to socially control and regulate the process of production" in capitalist society "as an inroad upon such sacred things as the right of property, freedom and unrestricted play for the bent of the individual capitalist ".[36] Under conditions of social ownership, social control will be an objective necessity. In communism, the social forces would bring "the productive process under their joint control" as a law "understood and hence controlled by their common mind".[37]

One of the most important functions of communist society in the reproduction process consists in the distribution of social labour in a conscious manner among the various branches of production on the basis of collective requirements. "It is only where production is under the actual, predetermining control of society that the latter establishes a relation between the volume of social labour-time applied in producing definite articles, and the volume of the social want to be satisfied by these articles."[38] The ability to establish this relation presupposes a fully developed procedure for calculating how social labour is expended. Marx notes that book-keeping is "more necessary in collective production than in capitalist production".[39] In communist society, writes Marx, "... the determination of value continues to prevail in the sense that the regulation of labour-time and the distribution of social labour among the various production groups, ultimately the book-keeping encompassing all this, become more essential than ever."[40][41]

In "Grundrisse", Marx also formulates his famous law by the economy of time, which plays an especially important role in communist society.

"Assuming collective production, the determination of time naturally remains important. The less time society needs for producing wheat, livestock, etc., the more time it gains for other production, material or intellectual. As with a single individual, the universality of its development, its pleasure and its activities depends on the saving of time. Society must also divide up its time usefully in order to attain a production appropriate to its requirements as a whole; as the individual person must divide up his time correctly in order to acquire knowledge in balanced proportions or to satisfy the

requirements he has to meet in his activities. Economy of time and the planned distribution of labour-time among the various branches of production thus remains the first economic law on the basis of collective production. It will even become a law on a much higher level. This is, however, considerably different from the measurement of exchange-value {labour or labour-products) by labour-time."[42]

In communist society, labour will be uniformly distributed among all the members of society, i.e., "generalisation of labour"[43] will prevail. Through this alone there will be a shortening of the working day and an increase in leisure-time. "Uniformly distributed, all would have ... more time for unproductive labour and leisure."[44]

Even in communism, material production remains a natural necessity. For this reason and as in the past, a part of the working day must be devoted to productive labour in the sphere of material production.

The limit of labour-time will be determined by the fact that expanded reproduction will be carried on, this being associated with a continuous increase in the needs of people. This is why surplus-labour will continue to exist in communism, too. "Surplus-labour in general, as labour performed over and above the given requirements, must always remain ... A definite quantity of surplus-labour is required as insurance against accidents, and by the necessary and progressive expansion of the process of reproduction ..."[45] Marx states that the insurance fund, the accumulation fund and the fund for the support of those unable to work form a part of the surplus-product which must still continue to exist "even after the abolition of the capitalist mode of production."[46] But in communism "all labour to support those who do not work would cease."[47] Surplus-labour is a necessary part of productive labour in communism. "Assuming, however, that there is no capital", writes Marx in "Theories of Surplus-Value", "and that the worker appropriated his surplus-labour himself, the excess of value which he produces above the excess of value which he consumes. Of this labour, it could only be said that it is truly productive, i.e., that it creates new value."[48]

When the capitalist mode of production is abolished, the surplus-value which in capitalism is the main criterion of productive, labour is also eliminated. But the elimination of surplus-value does not mean that surplus-labour and surplus-product also disappear. Marx says about this that "Although all surplus-value takes the form of surplus product, surplus product as such does not represent surplus-value!"[49]

In communism, the boundary between necessary and surplus labour is conditional to a certain extent because surplus labour is just as necessary, for the working people of a communist society, as necessary labour. For this reason, in necessary labour carried out in the communist mode of production, Marx also includes "the labour of forming a fund for reserve and accumulation"[50], i.e., surplus labour.

As Marx notes, in communism necessary labour would also increase "because the notion of 'means of subsistence' would considerably expand, and the labourer would lay claim to an altogether different standard of life."^[51] The "volume of consumption" would be determined on the one hand "by the existing productivity of society" and, on the other, by that which "the full development of the individuality requires."^[52]

Marx also investigates the most important aspects of the process of reproduction in communist society. The objective laws of capitalist expanded reproduction, which arise "from the material character of the particular labour-process, not from its social form"^[53], are also valid for the communist mode of production. In communism, the fundamental division of production into two departments remains, i.e., the production of means of production and the production of means of consumption. Thus the basic proportions also continue to exist within these departments and between them. For communist production, "these products of department I would evidently just as regularly be redistributed as means of production to the various branches of this department, for purposes of reproduction, one portion remaining directly in that sphere of production from which it emerged as a product, another passing over to other places of production, thereby giving rise to a constant to-and-fro movement between the various places of production in this department."^[54] Marx speaks here only of the movement within department I (production of means of production) but it is obvious that in communism movements such as these would also take place within department II and between departments I and II.

Marx analyzes the conditions which permit a continuous process of reproduction and shows that as a result of the varying magnitude of the fixed capital which has to be replaced every year in kind a continuous, relative over-production (in other words, the establishment of a permanent reserve-supply) of means of production, raw materials and food is necessary. "This sort of over-production is tantamount to control by society over the material means of its own reproduction. But within capitalist society it is an element of anarchy."^[55] "Such surplus is not an evil in itself, but an advantage; however, it is an evil under capitalist production".^[56]

Communism changes the character of labour in material production. The worker becomes a "fully developed individual . . . to whom the different social functions he performs are but so many modes of giving free scope to his own natural and acquired powers".^[57] Labour itself will be placed under the common control of the producers, it will become rational and truly free labour. Nevertheless, in material production, labour remains the realm of necessity. Regarding this, Marx notes that "In fact, the realm of freedom actually begins only where labour which is determined by necessity and mundane considerations ceases; thus in the very nature of things it lies beyond the sphere of actual material production, just as the savage must wrestle with Nature to satisfy his wants, to maintain and reproduce life, so must civilized man, and he must do so in all social formations and under all possible modes of production. With his development this realm of physical necessity expands as a result of his wants; but, at the

same time, the forces of production which satisfy these wants also increase. Freedom in this field can only consist in socialized man, the associated producers, rationally regulating their interchange with Nature, bringing it under their common control, instead of being ruled by it as by the blind forces of Nature; and achieving this with the least expenditure of energy and under conditions most favourable to, and worthy of, their human nature.

"But it nonetheless still remains a realm of necessity. Beyond it begins that development of human energy which is an end in itself, the true realm of freedom, which, however, can blossom forth only with this realm of necessity as its basis. The shortening of the working-day is its basic prerequisite."[58]

The most important means of shortening the working-day is the raising of labour productivity. "The more the productiveness of labour increases, the more can the working-day be shortened ..."[59] "For, depending on the development of labour productivity, surplus-labour may be large in a small total working-day ... The actual wealth of society, and the possibility of constantly expanding its reproduction process, therefore, do not depend upon the duration of surplus-labour, but upon its productivity and the more or less copious conditions of production under which it is performed."[60]

Leisure-time, in turn, exerts a considerable influence on the character of labour-time: "... the more the working-day is shortened, the more can the intensity of labour increase."[61] Marx also notes that "... the labour of a man who also has disposable time, must be of a much higher quality than that of the beast of burden."[62]

In "Capital", Marx also commented on how education, family relations and so on will develop on the basis of communist economics. He indicates that in communism "in the case of every child over a given age, productive labour ..." will be combined "with instruction and gymnastics, not only as one of the methods of adding to the efficiency of production, but as the only method of producing fully developed human beings."[63] In the schools of the future, "technical instruction, both theoretical and practical"[64] will be given the importance it deserves.

Marx also recalls that "... modern industry, by assigning as it does an important part in the process of production, outside the domestic sphere, to women, to young persons, and to children of both sexes, creates a new economic foundation for a higher form of the family and of the relations between the sexes."[65] If in capitalism the inclusion of people in the sphere of social production without regard to age or sex is "a pestiferous source of corruption and slavery", in communism it must "... become a source of humane development ..."[66]

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In a letter to W. Sombart, written shortly before his death, Engels gave a quite remarkable description of Marxist theory. He wrote that "this way of viewing things is

not a doctrine but a method. It does not provide ready-made dogmas, but criteria for further research and the method for this research."^[67] The revolutionary theory of Marx, Engels and Lenin is for us a real "guide to action" in the great work of building a communist society.

Footnotes

[1] F. Engels, letter to Kautsky of 18 September 1883, in: K. Marx/F. Engels, Briefe über "Das Kapital", Werke, Bd. 36, p. 279 f.

[2] K. Marx, letter to Meyer of 30. April 1867, in: Marx/Engels, Selected Correspondence, 1. c., p. 224.

[3] K. Marx, letter to Lassalle of 16 June 1862, in: K. Marx/F. Engels, Werke, Bd. 30, p. 628.

[4] E. James, [History of 20th Century Economic Thought], Moscow 1959, p. 538.

[5] G. D. H. Cole, [Capitalism in the Modern World], Moscow 1958, P. 27

[6] G. Myrdal, [An International Economy] Moscow 1958, p. 486

[7] Cf. V.I.Lenin, Imperialism, the Highest Stage of Capitalism, Progress Publishers, Moscow 1970.

[8] Programm and Statut der Kommunistischen Partei der Sowjetunion, 1. c.. p. 6 f.

[9] K. Marx, letter to Engels of 40 October 1868, in: K. Marx/E. Engels, Werke, Pd. 32. p. 181.

[10] E. Varga, Der Kapitalismus des zwanzigsten Jahrhunderts, Verlag Die Wirtschaft, Berlin 1962, p. 62.

[11] F. Engels. review of the first volume of "Capital" for the " Dusseldorfer Zeitung ", 1. c., p. 216.

[12] K. Marx, Capital, Vol. III, I. c., p. 233.

[13] Ibid., p. 253.

[14] Ibid., p. 428.

[15] ibid., p. 42.9.

- [16] Ibid., p. 259.
- [17] F. Engels, Preface to the English edition of the first volume of "Capital", I. c., p
- [18] K. Marx, Capital, Vol. I, 1. c., p. 643.
- [19] Ibid., p. 653.
- [20] K. Marx, Theories of Surplus-Value, Part III, 1. c., p. 35213.
- [21] K. Marx, Capital, Vol. I, 1. c., p. 488.
- [22] K. Marx, Grundrisse der Kritik der politischen Ökonomie, I. c., p. 53.
- [23] K. Marx, Capital, Vol. I, 1. c., p. 763.
- [24] Ibid., p. 592.
- [25] K. Marx, Grundrisse der Kritik der politischen Ökonomie, I. c., p. 7-5.
- [26] K. Marx, Capital, Vol. I, 1. c., p. 78, 79.
- [27] Cf. K. Marx, Critique of the Gotha Programme, Lawrence & Wishart, London (year unknown).
- [28] K. Marx, Theories of Surplus-Value, Part I, 1. c., p. 116.
- [29] K. Marx, Capital, Vol. I, 1. c., p. 392.
- [30] Ibid., p. 393, footnote 1.
- [31] K. Marx, Capital, Vol. III, 1. c., p. 115.
- [32] Ibid., p. 757.
- [33] K. Marx, letter to Engels of 14 August 1851. in: K. Marx & F. Engels, Werke: Bd. 27, p. 314.
- [34] K. Marx, Theories of Surplus-Value, Part III, 1. c., p. 300, 301.
- [35] Cf. K. Marx, Capital, Vol. I, 1. c., p. 505.
- [36] Ibid., p. 356.
- [37] K. Marx, Capital, Vol. III, 1. c., p. 252.

- [38] Ibid., p. 184.
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