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Capitalism

A companion to *Marx's economy critique*

Johan Fornäs



Capitalism

In the most complete, accurate and accessible presentation of Karl Marx's theory of capitalism to date, Johan Fornäs presents a guide for anyone who wants to understand how today's crisis-ridden society has emerged and is able to sustain and intensify its own deep inner contradictions. *Capitalism* clearly explains these contradictions, which are so relevant again today in the wake of the financial crisis.

This clear and engaging guide explains capitalism for absolute beginners. Fornäs situates Marx's ideas in context, remaining faithful to the concepts and structure of his work. This complete introduction to Marx's economy critique covers all three volumes of *Capital*. It explores all the main aspects of Marx's work – including his economic theory, his philosophical sophistication and his political critique – introducing the reader to Marx's typical blend of sharp arguments, ruthless social reportage and utopian visions.

This book will be of interest to students throughout the social sciences and humanities, including those studying sociology, social theory, economics, business studies, history, cultural studies and politics.

Johan Fornäs is Professor of Media and Communication Studies at Södertörn University in Stockholm and Editor of *Culture Unbound: Journal of Current Cultural Research*. His books include *Cultural Theory and Late Modernity* (1995), *In Garageland* (1995), *Digital Borderlands* (2002), *Consuming Media* (2007) and *Signifying Europe* (2012).

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1 Introduction

What is capitalism? How can a form of society be so confusingly contradictory? It combines the most rational calculation of organised masses with the most unruly forms of anarchic individualism, creating unprecedented progress, expansion and enormous wealth together with deepening economic and ecological crises as well as frightful poverty and misery around the globe. Which are the basic elements of this Janus-faced society? How can profits be made on the basis of markets where commodities are exchanged for just and equal values, and where wage-labourers seem to get fair pay for their work? From where does money get its almost magical powers? How can owners of money or natural resources earn fortunes without working while the rest of us must work so hard and still never get rich? Over and over again, workers are hired to work and get corresponding wages for which they buy necessities of subsistence: do they work in order to live or live in order to work? Why are those banks needed that cause such devastating financial crises? Who rules the economy, or is everybody just a pawn in the game of a self-perpetual capitalist system?

The modern world is deceptive. Things constantly turn out to be different from their first appearance. Scientists and scholars of various kinds have through scrupulous analyses been able to show what actual mechanisms lie behind the misleading impressions of everyday experience. It was easy to believe that the sun spins around the earth, until Copernicus, Kepler and Galilei found a better way to describe their relations. Natural science has given a more plausible explanation of something hard to understand just from everyday experience, by disclosing a rule-bound mechanism behind the appearances, and that this mechanism is also the reason why these appearances have for such a long time been misinterpreted.

Appearances deceive in many ways and in many areas of life, and this calls for critical reflection and theoretical explanations. It is the same with human societies, including in particular the one that dominates the world of today. Capitalism is an extraordinarily deceptive form of society, which is on all levels built upon misleading mechanisms of contradiction and reversal. Under capitalism things are not what they appear to be. Everyday impressions are not sufficient to understand how it works. Some kind of systematic study is needed for dissolving various illusions created by the way capitalist economies function.

Unlike the laws of nature, the social laws of society have been created by the ways in which people interact socially: ‘a scientific analysis of competition is possible only if we can grasp the inner nature of capital, just as the apparent motions of the heavenly bodies are intelligible only to someone who is acquainted with their real motions, which are not perceptible to the senses’.¹

Marx conceived his inquiry as a method for exploring the ‘inner nature’ of things, their ‘real motions’, not halting by their ‘apparent motions’ experienced by our sense perceptions. It seeks to understand the real relations that are hidden by their appearances. Understanding a social phenomenon means grasping its real essence. Descriptions alone do not suffice. All the ‘facts’ encountered in the news do not really sink in before they are in some way comprehended. Interpretations are necessary and they need to take the detour through some kind of theoretical explanations in order to grasp the fundamental patterns and dynamics behind the incoherent mess of daily impressions. In order to understand the phenomena, one needs to analyse their inner constitution and functions in society.

Those who do not understand the capitalist world are powerless against its rules, and it is really good at producing such ignorant passivity. With its core in the critique of political economy, Marxism is a method designed for investigating the inner complexities of capitalism and offering tools to comprehend and criticise the social reality we live in. For Marx, there was a strong link between theoretical understanding and political action: ‘The philosophers have only interpreted the world, in various ways; the point, however, is to change it’.² On the other hand, in order to change this world for the better, it must be comprehended.

Why Marx today?

Karl Marx (1818–1883) published the first volume of his main work *Capital* in 1867; the second was published posthumously by his friend Friedrich Engels (1820–1895) in 1885 and the unfinished third in 1894. Together with his many other related texts, this is a uniquely rich and influential source of insights into what capitalism is all about. One may perhaps believe that history has shown that capitalism is completely different today, that workers now have so much better living conditions and that systematic exploitation passed away with the nineteenth century. And wasn’t Marx completely mistaken in predicting that capitalism would collapse by its own economic crises and be surpassed by some kind of socialism or communism?

Some of Marx’s predictions must certainly have failed; else the world would be different. Yet, the essence of capitalism remains in place, even though its appearances have shifted radically. Wage-labour is still the rule for a majority of the world’s citizens, and even though workers may have conquered a level of welfare in many Western countries, there is a vast inequality and even poverty on a global scale. Also, Marx repeatedly stressed that it is not the absolute level of impoverishment that counts, but the relative levels. The riches of the

world are certainly no less unevenly distributed today than in his time and, even more importantly, the promises of welfare, freedom, autonomy and solidarity given by capitalist ideology to the world's citizens are constantly broken. In some respects, Marx's analysis is even more valid today than in his lifetime, as capitalism has by now fully developed its mechanisms that were then only found in germinal form.

Capitalism is at base an economic system, but it affects all levels and aspects of human life and culture as well. Literary author Franz Kafka once expressed this well:

Capitalism is a system of relationships, which go from inside to out, from outside to in, from above to below, and from below to above. Everything is relative, everything is in chains. Capitalism is a condition both of the world and of the soul.³

One therefore need not be a narrow-minded economist to take interest in Marxist theory. And in 1937, Max Horkheimer, who was with Theodor W. Adorno and others a leading proponent of so-called 'critical theory' of the 'Frankfurt School', said that 'the problem of what is called economism does not consist in taking the economic as too important but comprehending it in a too narrow sense'.⁴

Political economy is two things. On the one hand, it denotes the whole system of capitalist society – the basic way in which it organises social life in production, distribution, daily life, politics and culture. On the other hand, it is the self-understanding of this society according to leading capitalist ideologies. Bourgeois economists and other experts tend to deliver explanations based on the misunderstandings that capitalism itself gives rise to in everyday life. Non-reflected everyday consciousness is filled with half-truths that conceal crucial connections and thereby reinforce powerlessness.

Marx's critique of political economy criticises capitalist theories of capitalism as well as capitalism itself. Its aim is to develop consciousness: to discern the inner contradictory logics of this society and thereby offer tools for critical action and solidary struggle for emancipation. With *Capital* and its side texts, Marx has written the best guide there is to understand the fundamentals of capitalism, combining strong political commitment with brilliant pedagogic and stylistic skills, all based on a unique method of research and presentation that manages to go behind appearances and reach down to the systematic roots that explain them and indicate how the world can be made changed.

Even though capitalist society creates illusions that block critical knowledge, all human beings have capacities to look through some smoke screens and reach true insights. Even without academic training, everybody can learn something important of how capitalism works, and Marx's work is an eminent tool for that. It pays off to work with his concepts, since they turn out to offer a spinal framework that lends structure and direction to one's own efforts to find an orientation in personal, social and political life. It gives a wonderful

sense of satisfaction to be able to analyse some urgent issue, without always having to rely on what is written in papers or blogs, or what friends and colleagues happen to think. It is exciting to develop well-founded knowledge.

Marx's critique of capitalism sets up a set of basic concepts and models that underpin or at least inspire all subsequent radical democratic social theories. Marx began this work more than 150 years ago, and though his analysis certainly is unfinished and at certain points deserves revision, it is far from outdated even today in the twenty-first century. Capitalism has been transformed but is still a form of capitalism, and contemporary changes can still to a large extent be explained on the basis of the key Marxist concepts.

This does not imply that Marx's theories suffice. Marxism needs continuously to be developed in relation to new areas and problems, emerging through experiences of practical action. Theory and practice are inseparable. Theory should inspire transformative practice, which in turn is a source for new theorisation. One reason why there is in practice often a lack of such interaction is that theory has remained inaccessible to most people. For too long, Marxist theory has been a concern only for the selected few, and even fewer have mastered its tools so well as to be able to make productive use of them.

Marxism itself has a complicated history filled with internal divisions. Different traditions have focused on different aspects of Marx's theory, and much has been revised or forgotten. Various interpretations of Marxism have later legitimated disastrous forms of authoritarian rule in the name of proletarian revolution. No theory can ever be immune from such misuse, but even sceptics should listen to Marx's own voice, try to understand why it became so influential and get a sense of its main arguments, which are so often in many respects contrary to what has later been disseminated under the label of Marxism. Marxism needs to be liberated from its imprisonment in political sects, academic specialisms and solitary reading and to gain new vitality by being circulated among people who are able to link theoretical concepts to their own everyday life experiences.

This book

From the 1960s, growing efforts have been made to reconstitute the inner complexity of Marxist theory. Not least in Central Europe, a series of rediscoveries fed into a critical intellectual movement from which this book has emanated. It presents Marx's basic theories in an accessible manner, but remains true to its key concepts. It gives non-academic and academic readers alike a systematic understanding of the main Marxist ideas, helping to use these theories as tools rather than as rules.

This is no academic treatise but an introductory guide to capitalism for anyone who wants to understand Marx's critique and explore what it means today. It invites the general reader to a summary of Marx's critical analysis of capitalism. Footnotes point to selected other works, but with no ambition to cover the wide fields of Marxist research.

Instead of offering a smorgasbord of various ingredients, this book strives to guide the reader through Marx's original ideas in *Capital* as faithfully and coherently as possible. At certain points, it links these to ideas from Marx's other works and sometimes also to later Marxist texts that clarify interpretive options in Marx's own text. It is sometimes tempting to revise and update his analyses, but this is not the task here. Instead of adding new and fashionable concepts, the book builds a conceptual basis from which it is possible to make such new theoretical interventions for those who wish to do so. The guiding principle has been to understand what Marx actually wrote and leave the elaboration of that meaning in relation to later theories maximally open. The book can be read by itself or as a companion to the three volumes of *Capital*. For a more systematic study, a postscript suggests questions for reflection and discussion for each chapter.

Capitalists and workers are generally male gendered here, as in Marx's own text, so as not to create unnecessary conflicts between the Marx quotes and the main text.

Chapter 2 presents Marx's method, clarifying the main structure of how Marx approached his subject, thus preparing for reading Marx. After that, the book closely follows the structure of *Capital*, from the famous opening of its first volume, with the detailed analysis of the most central mechanisms of capitalism in commodity production and exchange, then adding more and more aspects of empirical reality until reaching the unfinished end of the third volume of *Capital*. It follows faithfully in Marx's footsteps into the mysteries of the commodity form, money and capital. It shows how commodity fetishism, exploitation and wage-labour work, how industries and technologies function, how capitalism once emerged, how values are distributed among a wide range of economic actors, what are the key mechanisms in recurrent economic crises, which are the basic modes of capitalist ideology and how capitalism prepares its own dissolution.

The beginning may seem awkward, focusing on linen and coats and paying attention to tiny details, while a whole range of burning issues and objections are postponed. Some chapters later, it should become much clearer why this initial detour was needed. 'Beginnings are always difficult in all sciences. The understanding of the first chapter, especially the section that contains the analysis of commodities, will therefore present the greatest difficulty'.⁵ This difficulty derives from the effort to present the basic concepts in a systematic manner, starting with the innermost and most basic relations of capitalist society, momentarily leaving other aspects aside to be explained later, on a level where the necessary explanatory concepts have been developed. Concepts are thus not presented in any arbitrary order, but evolve from each other in an order corresponding to how they interrelate in capitalist society.

Therefore, the systematic investigation starts in Chapter 3 with a close analysis of the commodity, with its use-value and exchange-value. The relation between these two aspects is then developed into the necessity of money. Commodities and money belong together, since they can be exchanged for one

another, but how and why is that? After this, it is possible to develop the concept of capital itself. This method of presentation is what Marx describes as a necessary route from the abstract to the concrete. With ‘abstract’ he means that which has few attributes, while the concrete is that with many attributes. Commodity is more abstract than capital, since the conditions for functioning as capital are much more complex than for serving as a commodity: a commodity is anything that is made or acquired for exchanging against something else or selling for money, whereas capital is – as shall soon be shown – a more specific kind of relation between work and means of production, dependent both on private ownership and the institution of wage-labour. Marx starts with the very general, abstract (commodity) and develops his analysis stepwise towards the more complex, concrete (capital and its contradictions). Like Marx’s own text, this introduction will mix abstract concepts with concrete illustrations, in order to make understanding easier and clarify how the abstract concepts are still anchored and present in everyday experience. In spite of such temporary jumps between levels of abstraction, the main direction throughout the book is from the abstract and general to the concrete and specific. This peculiarity in Marx’s method simply has to be accepted – it makes little sense to at once start discussing strange phenomena like the high prices of Edvard Munch paintings before one has clarified how prices are normally set for ‘ordinary’ commodities. Have patience!

Notes

- 1 *Capital I*: 433 (Marx, 1867/1990, Chapter 12). This volume is hereafter cited as *Capital I*.
- 2 Marx (1845/1998: 575, ‘Theses on Feuerbach’, 11th thesis).
- 3 Franz Kafka in Janouch (1951/1971: 151–152).
- 4 Horkheimer (1937/1991: 249).
- 5 *Capital I*: 89 (‘Preface’ to the 1867 edition).

2 Method

It is often argued that politics and economy should be kept apart. Parliamentary elections do not allow citizens to change the foundations of the economic systems – only to adjust how the state should deal with them. Economy is often understood as a separate sphere outside politics and everyday life, administered by ‘neutral’ specialists who are supposed not to have any class bias.

This was not always true. The classical English and Scottish economists in the late eighteenth and early nineteenth centuries saw themselves as *political economists*: they had an interest in society in its totality. According to one of the most famous of them, the Scottish Adam Smith, political economy was a branch of the science of the statesman or legislator. For them, capitalism was no doubt a class society, and they were not regarded as impartial experts but as intellectual representatives of the modern industrial capitalists. Their work was used to prove that social progress demanded maximal expansion opportunities for industrial capital. It is not soil but labour that creates values! Get rid of the unfashionable privileges of the landowning aristocracy! Free trade! Starvation wages for the working class if necessary! Sacrifice all for developing productive forces and general wealth! The most prominent and consistent of them, headed by the English national economist David Ricardo, even had a presentiment of the inherent crisis tendencies that anticipate the fall of the bourgeoisie.

Thus economists like Ricardo, who take the capitalist mode of production as an absolute, feel here that this mode of production creates a barrier for itself and [...] this characteristic barrier in fact testifies to the restrictiveness and the solely historical and transitory character of the capitalist mode of production; it bears witness that this is not an absolute mode of production for the production of wealth but actually comes into conflict at a certain stage with the latter’s further development.¹

These classical economists, who were the most reflective representatives of the bourgeoisie in the struggle for more timely relations of production, disappeared when modern industrial capital had consolidated its societal hegemony. Their successors, whom Marx called ‘vulgar economists’, did not struggle for changes. Instead, they regarded the new, ruling mode of production – full-blown

capitalism – as the only possible or reasonable one. Their task was not to explore the foundations of capitalism but, more humbly, to run around with the oilcan to ensure that the system worked without a hitch. Hence, bourgeois circuits today rarely talk about ‘political economy’, but just of ‘economy’ plain and simple. Bourgeois economy has ceased to be a real social science. Instead, universities have on the one hand business economics and management studies, dealing with the range of actions available for capitalists and, on the other, national economy, focusing on the economic activities of the capitalist state. Nobody looks at the totality anymore.

Let me point out once and for all that by classical political economy I mean all the economists who [...] have investigated the real internal framework [*Zusammenhang*] of bourgeois relations of production, as opposed to the vulgar economists who only flounder around within the apparent framework of those relations, ceaselessly ruminate on the materials long since provided by scientific political economy, and seek there plausible explanations of the crudest phenomena for the domestic purposes of the bourgeoisie. Apart from this, the vulgar economists confine themselves to systematizing in a pedantic way, and proclaiming for everlasting truths, the banal and complacent notions held by the bourgeois agents of production about their own world, which is to them the best possible one.²

Critique of political economy

Capital bears the subtitle *A Critique of Political Economy*. This is the critical theory of the foundations of capitalism that Marx developed during the last 30 years of his life. The expression is often abbreviated to ‘Marxist economy’ or ‘political economy’, though ‘economy critique’ would be a more relevant abbreviation.³

When Marx buried himself in the library of the British Museum in London with the necessary preparations for this great work, he had taken on a double research task. He critically explored both the theories of bourgeois political economists and the ‘real’ political economy – with economic cycles and crises in Europe, history of landowning, trade and industry, etc. It took many years of such *inquiry* before Marx could start writing his *Capital*, which is a *presentation* of the basic production and reproduction that keeps capitalist society going and growing. It is crucial not to forget the subtitle of *Capital*. This is not only a presentation but also and primarily a *critique* of capitalism. Marx criticised bourgeois political economists: the classics for depicting capitalist laws as eternal natural laws that have always existed and can never be abolished; and the vulgar economists for just sailing around on the surface without understanding anything of the deeper connections. More importantly, Marx criticised the capitalist mode of production by presenting its inherent contradictions and accelerating tendency to create recurrent crises. He showed that the living labour, embodied in

the working class, is the necessary basis for the rule of capital and simultaneously the force that can throw it over.

Marx's theory became possible because capitalism gives rise to such contradictory forces that in reality challenge and question capital itself. The method of critique must be appropriate for that which is criticised. Marxist economy critique has a method shaped after capitalism and suitable for being used to critically analyse this capitalism. As long as we live in a capitalist society, critique of political economy remains a key core of those theories needed to help us discover possible ways to change the world.

This conviction that social theories need to be specific for what they study is typical for Marx but not for all subsequent Marxists, who have often instead tried to reconstruct Marxist Theory as if it was some kind of universal set of Truths valid for all societies and all times. For Marx, theories need to be situated in relation to what they study. This actually also implies that the historical background sketched out in the previous chapter must not be taken too seriously. It was meant just to give a rough idea of how modern capitalism differs from what came before, as well as of some of its historical roots. The way it focused on how capitalist forms emerged in pre-capitalist societies may well be criticised for inviting too much of a 'teleological' reading of history, as if all that happened was directed towards the present. This is a too narrow interpretation of the past, since that past also contained so much else that did not lead up to capitalism but is now largely forgotten. Reading history backwards from its results is a problematic method. Marxist theory is not made or suitable to explain all possible societies in world history. However, the task of this book is not that, but to offer an interpretation of capitalism.

Foundations of historical materialism

As guidance into their research, Marx had with his friend Friedrich Engels already begun from the 1840s to formulate a kind of programme – a new perspective on history, on society and on the world at large.⁴ They presented quite general statements on 'basis', 'superstructure', 'productive forces', 'relations of production', 'classes' and 'class struggle', all of which later in many respects had to be nuanced and revised, when the economic-critical inquiry had led to path-breaking results. Such basic concepts of *historical materialism* are useful to know at this stage, both because they are often used in leftist politics and because they hint at a direction in the research interest behind this critical endeavour. However, it would be totally wrong to interpret them as dogmas or absolute truths. Rather, they form a kind of *research programme*, offering hints of what has to be investigated in order to understand historical societies, including the one in which we live. The classical summary of this guiding programme for his study project is found in the 'Preface' to *A Contribution to the Critique of Political Economy*, which was a sketch for *Capital*, written in 1858–1859:

In the social production of their existence, men inevitably enter into definite relations, which are independent of their will, namely *relations of production*

appropriate to a given stage in the development of their material *forces of production*. The totality of these relations of production constitutes the economic structure of society, the real *foundation*, on which arises a legal and political *superstructure* and to which correspond definite forms of *social consciousness*. The *mode of production* of material life conditions the general process of social, political and intellectual life. It is not the consciousness of men that determines their existence, but their social existence that determines their consciousness. At a certain stage of development, the material productive forces of society come into conflict with the existing relations of production or – this merely expresses the same thing in legal terms – with the property relations within the framework of which they have operated hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begins an era of *social revolution*.⁵

In this text, some of the most important concepts of historical materialism have been italicised.

Relations of production. Who works? Who owns or controls natural resources, means of production, labour-power and the produced commodities? How is the surplus of working time and products distributed? This is how Marx writes in *Capital*, Volume III:

The specific economic form in which unpaid surplus labour is pumped out of the direct producers determines the relationship of domination and servitude, as this grows directly out of production itself and reacts back on it in turn as a determinant. On this is based the entire configuration of the economic community arising from the actual relations of production, and hence also its specific political form. It is in each case the direct relationship of the owners of the conditions of production to the immediate producers – a relationship whose particular form naturally corresponds always to a certain level of development of the type and manner of labour, and hence also to its social productive power – in which we find the innermost secret, the hidden basis of the entire social edifice, and hence also the political form of the relationship of sovereignty and dependence, in short, the specific form of state in each case.⁶

Productive forces (or forces of production). These consist of (1) natural resources and crude raw materials; (2) means of production in the form of tools, machines and prefabricated raw materials; and (3) the workers with their knowledge and skills, inventions, the immediate organisation of labour, etc.

Base (foundation). This is the combination of material forces of production and relations of production, i.e. the ‘economy’.

Superstructure. This is usually divided into two main spheres:

The legal-political level, including the state, political parties, legislation and justice, police and military.

The ideological level (forms of social consciousness), including bourgeois ideology, religion, etc. There are contradictory opinions among Marxist interpreters as to whether science, language, art, literature, etc. fit in here or not, but such complications will for the moment be left aside.

Social revolution is the result of how productive forces so to speak outgrow the old relations of production. In most parts of the world today, advanced technologies and the increasingly societal modes of production, where different sectors and spheres are increasingly closely interlinked, have created certain conditions for substituting the rule of capital with some kind of socialist relations of production, where also planning and control is societal rather than placed in the hands of private capitalist firms.

This is a summary of Marx's original research programme of historical materialism, which also pointed out *class struggle* as the motor of historical development. This is a truth with some modifications, as there have for instance not always been classes.

Several of these concepts will turn up in later chapters and are often found to be problematic and in need of certain modifications. It might for instance be tempting first to look for *classes* in all societies, but economy critique actually shows that the concept of class is in itself not identical everywhere, not even for all those societies that have contained clear stratifications of the population. The classes of capitalism are special and different from those that came before: they are bearers of economic categories. Behind the working class and the capitalist class stand the more basic concepts of labour and capital.

The Marx quote defines *materialism* in opposition to *idealism* by the perspective one has on the relation between 'consciousness' or mind and 'being' or material existence, i.e. between thoughts and feelings on the one hand and actions and objective life conditions on the other. This may sound reasonable, and also resonates with several later and currently fashionable waves of materialist theory, but even such seemingly self-evident formulations on closer scrutiny turn out to need some qualification.

The limits of historical materialism

Marx's work of economy critique resulted in an insight that many of the key concepts of historical materialism only became fully valid under capitalism and could in fact otherwise be misleading. One already mentioned example is that classes and class struggles have been radically different in different historical periods, and with shifting roles for the development of society. Capitalism made the struggle between labour and capital into a truly revolutionising struggle, while for instance the struggle of slaves in classical antiquity rarely gave other results than liberating some categories of slaves and enslaving others in their place.

A dominant official Marxist-Leninist tradition, originating in Lenin's and Stalin's Soviet Union, has appointed the summary formulations in *A Contribution to the*

Critique of Political Economy to a kind of sacred dogma and from them distilled a rigid system that is far from what Marx developed in his most important works. It has for instance become commonplace to see the growth of productive forces as a linear, mechanical and quantitative process, so that socialism would simply and more or less automatically take over the most advanced capitalist methods of production, from the assembly line to nuclear power. Technology was seen as neutral in relation to the classes, and that it could therefore easily serve new masters was the idea. In the same early text, Marx mentions a series of modes of production: 'In broad outline, the Asiatic, ancient, feudal and modern bourgeois modes of production may be designated as epochs marking progress in the economic development of society'.⁷ Many later Marxists have analysed all these successive transitions in terms of a fixed scheme, according to which productive forces grow and break open the old relations of production. This formulation has perhaps some validity for capitalism, where value production and capital accumulation so to speak become detached from people's conscious control and become autonomous forces with their own, insatiable logic. It is less applicable for pre-capitalist modes of production, where the course of events leading up to new modes of production may sometimes be almost reversed. For example, feudalism hardly grew out of any linear development of productive forces in the antique slave societies. What happened was rather that these societies broke down and feudalism was born out of a merger between their ruins and quite different forms of Germanic tribal societies. And these formulas are certainly not valid for the future society that Marx named 'communist', where all types of blind submission to inexorable technological forces must be totally unacceptable. Also, the whole idea of a kind of necessary and simple sequence of different modes of production, which Marx and Engels played around with for a while, is increasingly contested by less dogmatic Marxists today.

The model of base and superstructure is also difficult to apply, as their mutual relations pose serious questions. To see the cultural or political superstructure as a passive reflex or mirror of the economic base is a view that may be called '*vulgar materialism*', and which today most Marxists take distance from and few actually would defend. Today in particular, cultural factors of signifying practices and identity are often seen as much more influential than before. One may remember Max Horkheimer's words, quoted in Chapter 1 above, that 'the problem of what is called economism does not consist in taking the economic as too important but comprehending it in a too narrow sense'.⁸ According to a classical formulation in a letter Engels wrote late in his life: 'Where there is division of labour on a social scale there is also mutual independence among the different sections of work. In the last instance production is the decisive factor'.⁹ This formulation has been interpreted in many different ways: one common among structuralists such as Louis Althusser in the late 1960s is as indicating that economy decides which of the levels (economy, politics-law, ideology) dominates in a certain mode of production. In ancient Rome, the legal-political level dominated, in feudalism, the ideological level (primarily religion), while in capitalism the economy gave itself the dominant role. This finds some support

in a footnote of *Capital* where Marx argues that ‘it is the manner in which they gained their livelihood which explains why in one case politics, in the other case Catholicism, played the chief part’.¹⁰ But even such a reading says very little of precisely *how* economy decides. The whole model of base and superstructure should probably better be seen as a kind of heuristic image, illustrating the importance of economy – the ways in which societies organise, produce and distribute key forms of wealth and work.

One weakness with this model is its tendency to invite misleading conceptions of society as sharply divided in distinct and fundamentally autonomous levels. One may for instance on the political level be tempted to regard politics and economics or state and market as two quite separate things, forgetting the intimate mutual interdependencies of the two spheres, and perhaps as a result overestimating the state’s room to manoeuvre in capitalism, or instead the political neutrality of the market system. On the ideological level, it may be easy to forget how economic relations permeate people’s actions and experiences. Marx for instance anchors the most basic modes of ideology in the fetishism that arises from the mechanisms of exchanging commodities.

The model of base and superstructure is also linked to the division of responsibilities within the traditional workers’ movement, where economic struggle – mostly reduced to wage disputes – became the task of trade unions, while parties tried to monopolise political and ideological struggle – the former reduced to issues of parliamentary representation, the latter to propaganda aimed at disseminating ‘socialist’ ideas in the population. Such efforts remained futile so long as there was a lack of understanding of how the prevailing ‘bourgeois’ ideas are incessantly reproduced by the very forms in which people work and live. This is what economy critique strives seriously to do.

Marx’s undogmatic method

In the twentieth century, Marxist theory, both in its Soviet and Maoist variants, petrified into a rigid scheme. (1) First came the general philosophy of *dialectical materialism*, pinpointing certain universal laws supposed to regulate everything between heaven and earth: nature, history and thought alike; (2) these laws were then applied to history in general, resulting in *historical materialism*; (3) when the laws were then transferred onto the capitalist mode of production, this resulted in the theory of *political economy*. This is an often repeated way of reifying Marxism, and the process is then continued by constructing some kind of specific Marxist state theory, party theory, art theory, psychology, etc., reproducing a similar structural division as that between the various academic disciplines. This hash of applications makes it difficult to understand the more complex interrelations between different aspects and dimensions, and to apprehend Marxism as a theory of capitalism as a totality: a critical method and tool with which to understand social realities and find ways to act to change them.

Capital has too often been read as a narrow economic theory to calculate surplus-values in pounds or dollars, or rates of profit in percentages. But *Capital*

is not just a handbook for specialised economists. The critique of political economy is a social theory, dealing with basic social relations. Marx was repeatedly and firmly against unhistorical conceptions of eternal and universal principles. He understood his own method as something that must be shaped in relation to what it was supposed to investigate: capitalism. And this historically specific economy critique was the core of Marxism as a social theory.

It should by now be fully clear that Marxism is not one unitary thing. Marx's work can be interpreted in many different ways, and it has certainly been differently interpreted by different schools of thought. What will be presented here is one possible reading among many others, and the reader should be aware that the polemics voiced here against competing readings should also be critically scrutinised.

Understandings of Marxism come and go in waves. When this text was first developed in the 1970s and early 1980s, there were in continental Europe, Scandinavia and several other places strong currents striving to escape the impasse of dogmatic traditional Marxism-Leninism and revitalise a more dialectical and open-ended critical theory, developing some elements from the critical theory of the 1930s' Frankfurt school, but also inspired by new socialist, feminist and post-colonial movements among students and workers. A neoliberal tide temporarily made Marxism untrendy, but new social movements and capitalist crises continue to underpin a wider interest in its most vital elements.

It is not fully possible to explain and understand Marx's method before having followed him on his long way through the levels of capitalism, and methodological reflection must therefore recur at several points in this presentation. This introduction only aims to give a provisional hint of key aspects of what to expect, so as to prepare for ways of thinking that may initially seem a bit unfamiliar. The rest of this chapter will therefore discuss a number of central methodological concepts clarifying the basic structure of *Capital*; some concepts have already been mentioned, others will be further discussed later on.

Method and object of study

Methods need to be relevant for what is to be investigated. Here, the object of study is capitalism plus the distorted understandings of itself that it reproduces. If something else is to be explored, for instance feudalism or the solar system, then some at least partially different methods will be needed. Other societies have another structure and therefore cannot be divided into the same kind of levels.

This may already appear strange to those who are used to regarding theory and methods as something that can be arbitrarily applied to the most disparate phenomena. This is common in social science, but also in vernacular thinking: 'there are two sides to everything'; 'everybody is an egoist', etc.

Idealism denotes an idea that (human or divine) thought comes 'before' matter or practice. *Materialism* is then the opposite, like in the Marx quotation earlier. Theories may be defined as idealist if they regard methods as permanent

and universally valid schemes that have been constructed by pure reason and then can be applied to anything at all. In reality, all thought, knowledge and method has its root in the historical society in which it emerges.

Understanding method as 'timeless' fits an idea of capitalism as eternal and natural. Bourgeois economy and social science tend to identify capitalism with human civilisation in general, neglecting the particular and situated *form* of human activities in our time, making them different from in earlier epochs.

Many Marxists have also isolated methods as a system of universal laws, while the opposite view on methods as always dependent on the real practices of a specific time and society is a facet of the materialism of living Marxism.

Appearance and essence

If Marxist method is determined by the structure of capitalism, what structure is then characteristic of capitalism? The answer will be given by following Marx's own presentation in *Capital*, but some main traits may be announced in advance. Capitalism is a form of organising society that tends to embrace all phenomena in life – it is a *totality*. Marx argues that it is structured in a dimension of depth, with a 'surface' of *forms of appearance* and an inner, more essential core or depth that is its *essence*. The forms of appearance are what can immediately be experienced (for instance that one gets paid a salary for working), while the essence is the inner relations between forms of appearances that explain why they appear the way they do (for instance that the salary corresponds to the value of the labour force as a commodity).¹¹

Daily news of unemployment usually presents statistics and prognoses that in turn are guesses based on the same statistics. The focus is on the forms of appearance: those surface aspects of reality that can immediately be perceived by our senses and comprehended through the use of so-called common sense. The emphasis is simply on *describing*.

Marx also studied unemployment figures, but he looked for underlying regularities: the essential mechanisms for which unemployment was (and still remains) an expression. Behind the cold facts of unemployment, one may find that it pays better for each capitalist to invest in more modern machines than to employ more workers and that capitalists need a manpower reserve to keep wages low and to use as a buffer when more people are again needed in production. Marxist method strives to explain why the essence corresponds to precisely the dominant forms of appearance, and none other.

This method works just because capitalism actually has an inner core or essence – namely, capitalist commodity production with its central contradictions. This essence *appears* and indeed must appear, i.e. find its expression in various phenomena that are often hard to understand. Capitalism should not be described as consisting of a deep-seated essence and a messy surface of forms of appearance, but rather as a complicated and intriguingly structured branching from the essence at its hidden root up to the many visible leaves that form the 'surface' of social reality.

The reason why *Capital* starts with analysing the commodity and its dual character is that this will be shown to be the innermost cell of capitalism. This inner essence is thus nothing supernatural or magic, but precisely those commodities we deal with on a daily basis. These seemingly innocent commodities turn out to carry a kind of *real* magic, with a force that brings the whole capitalist society in motion – and to downfall.

This starting point was not given in advance, but the result of Marx's careful research, which led him to reconstruct the capitalist order in this particular manner. The presentation in *Capital* runs in the opposite order of this work of inquiry. Marxist economy critique was also methodologically guided by German philosopher Georg Wilhelm Friedrich Hegel (1770–1831), who developed the dialectical understanding of reality to which Marx was strongly indebted. To simplify considerably, the philosopher Immanuel Kant is famous for arguing that the essence – 'the thing in itself' – does *not* appear, that objective reality is in a qualified sense unreachable for human knowledge and experience. He thus radically separated essences from observations of phenomena. Hegel instead emphasised that the essence *must* appear, even though its appearances are deceptive for human reason by giving rise to a semblance that hides the true essential structure of Being. Marx is in this particular respect more in line with Hegel than with Kant. But, where Hegel was an idealist, conceiving of the essence of reality as an abstract idea that was materially and historically unlimited, Marx put Hegel's philosophy upside-down and placed it firmly on the ground by (1) locating the essence of capitalism not in elevated thought but in the ordinary social practice of commodity production; and (2) anchoring this dialectical model in a particular historical phase and societal formation, rather than seeing it as eternally or universally human. Marx's critical method of interpreting capitalism's contradictory meaning was a 'hermeneutics of suspicion', reading texts against the grain, critically scrutinising what they say in spite of themselves.¹² Marx developed traits from Kant's Enlightenment perspective on the necessity of human emancipation from inherited authorities, but Marx turned this critique also against the Enlightenment thinkers themselves, not by denying them, but by radicalising them further in a materialist direction.

This reading of Marx will stick closely to his own dialectical understanding. It should be noted that much recent critical thought has taken distance from any such Hegelian residual. In many branches of social and cultural theory today, it is impermissible to speak of essences. From Michel Foucault to most post-colonial and feminist theories, it has become obligatory to be anti-essentialist: to refute any idea that there is a hidden core under the surface of immediate reality and instead respect materiality and discourse as it is. For instance, anti-essentialist feminism regards gender dichotomies not as expressions of some kind of male and female essence, based in a fixed biological core, but as sociocultural performances dynamically developing through institutionalised practices of interaction. In a general sense, I share this critical perspective. However, the Hegel-inspired method of Marx may still be defended, precisely as an historically contextualised model for how to understand capitalism. It is the

inner structure of capitalist society that is in practice constructed in terms of essence and appearances: not everything and anything that exists. This dialectical method is needed to conceptualise this particular kind of dialectical society. This is why it may remain useful even for an anti-essentialist to follow in Marx's footsteps 'down' to the capitalist essence of commodity production and back the long way 'up' to the everyday modes of economic and political life. Until someone manages to do the similar explanatory work by some other means, Marx has offered a fascinating model that well deserves closer scrutiny on its own terms.

If one had instead started from 'the population' or 'the nation', one would have been forced to ask what it consists of and to introduce 'classes' as a more fundamental concept. Taking 'classes' as a new starting point, one would then have to consider what determines the different classes, which in capitalism leads to other economic categories such as labour, capital, etc. One would thus reach more essential relations for which class antagonisms are the forms of appearance. Finally, the commodity would be found at the innermost core of capitalism. This is why Marx starts there.

The price tags in the supermarket show the price of what is on sale. Prices are measured in money values, but they are in turn just a form of appearance of what has created their values, namely labour, as measured in hours and minutes. Value-creating labour is the essence in relation to the form of appearance of the price.

No essence can be traced without first scrutinising appearances. One cannot directly, with one's senses, experience the labour-time invested in a commodity. What one can do is to read the price tag and see what it costs. Marx also could not write *Capital* from beginning to end, without first carefully investigating capitalist phenomena of his time, in a range of different areas.

In reverse, one also cannot fully understand appearances without knowing about the underlying essence. Not knowing that labour determines values makes it impossible to understand why prices are the way they are. First, when Marx had found his way down to the essential core of capitalism, he could then try to systematically reconstruct how different aspects of society were interrelated.

Reality

Essences and appearances are equally real. Both essences and the forms in which they appear 'exist'. None of them are pure imaginations.

Appearances are no simple lies. Trying to make the salary cover one's living costs makes it evident that prices are hard facts. Still, appearances are often deceptive: not because they are in any way unreal, but because the immediately perceptible connections between them are often illusory or just 'apparent'. The basic essence then stands for the inner connection between phenomena, the often hidden rule that governs them. The essence is in a way the truth of the forms of appearance or, rather: the full truth demands that one has understood the essence *as well as* the forms of appearance and their mutual interrelations.

One example is that prices always tend to rise, through inflation. It thus seems that commodities are more and more valuable. But it will be shown that, instead, less and less work is spent on producing each single commodity. The immediate observation ('prices rise') is a false semblance covering the real state of facts ('commodity values shrink').

Another example: It seems as if work is paid by wages. Salaries appear to correspond to the amount of labour, measured either in time or in amount of products produced. Still we earn less than we produce – else our employers would never get any profits. The wage-form is definitely 'real', but at the same time it hides the truth of exploitation.

Language is a difficulty here. Many interpreters and translators tend to miss the point in this respect. Marx, like Hegel, had access to a German language that made it possible to express the complex dynamics involved. He could quite easily express that essences must necessarily appear, and the word '*erscheinen*' [appear] indicated a delicate combination of emerging, stepping forth into visibility and creating a false or misleading impression ('*scheinen*' [seem]). The English language must express this complexity in other ways. Linguistic differences aside, contemporary readers are also not used to thinking in dialectical terms, which adds to today's interpretation problems.

Immediate observation shows the capitalist world to be fragmented and contradictory. Marx's method manages to conceptualise the hidden logics of its basic and essential relations, while simultaneously also disclosing how and why they must appear in deceptive ways. It therefore criticises capitalism at the same time as it understands it. This critical wedge of Marxism drives us down to the bad root of capitalism, to its innermost contradictions, indicating that fundamental social transformation is both necessary and possible.

Contemporary bourgeois economists of course also register prices and inflation. Their mistake is the opposite: that they find it futile to look for an inner essence behind these appearances. They may for instance relate fluctuating prices only to the consumers' shifting desire to buy or the access to commodities. Marx instead in his labour theory of value regarded the amount of productive labour as the ultimate basis of prices, in spite of the fact that prices for various reasons never in any simple or direct way express this fundamental work, but only through a confusingly complex process – the process of appearing, which *Capital* traces a long way. The labour spent is not visible in each commodity, and a tricky procedure is needed to calculate it. Also, prices are not fixed in relation to values, but rather oscillate around them. But still, values are as real as prices, and no more than the forms of appearance are these essential values imaginary constructions only in the head of Marx.

Essence and form of appearance can only be distinguished in a relative manner. What is essence in one context can in another context, compared to other phenomena, be regarded as a form of appearance. The whole scale or tree of different essential relations and appearances exist in capitalist reality, not just in the Marxist theory of capitalism. It is no thought model that has been imposed from 'outside', but a summary of the fundamental structure

of capitalism itself. The inner logics of capital exist as much as the most superficial and delusory phenomena, even though they may be hard to identify.

Abstract and concrete

Essences are abstract, i.e. with few determinations or attributes. Appearances are concrete, with many attributes. There is an underlying chain of dichotomies in play in this dialectic: essence/form of appearance = abstract/concrete = simple/complex = general/particular.

The Marxist concept of ‘*abstract*’ is based on a long philosophical tradition. It does not mean that anything is unreal or difficult to understand, as so often is the case in ordinary language use. Instead, it means that something has few determinations, i.e. is simple, Perhaps not simple to understand, but so that it can be determined or defined without consideration of so many factors. To ‘*abstract*’ in Latin means to ‘draw off’, pull out or cancel something – and when an abstraction is made, one does indeed neglect lots of ‘*concrete*’ aspects in order to concentrate on some few general, simple and essential aspects.

The ‘*concrete*’ is then in turn that which has many determinations or attributes, that which is complicated, unique, specific and *particular* – in contrast to that which is *general*, which is more of a common denominator for many things.

For example, the essence of humanity, the most general characteristics of the human species, must be something that only has some few, very simple determinations: to be born of a woman, to live by organised labour, to be able to communicate through symbols and the like. It can never include specificities like hair or skin colour. But human essence can never be directly observed. It always appears in the form of specific human individuals in specific societies and specific historical epochs. The concrete forms of appearance have more determinations than the abstract essence. You who read this have many more attributes to be listed than has humankind as an abstract totality.

Another example: the commodity in general, in essence, has only few determinations – it is a unity of use-value and value, i.e. it meets concrete needs and has been produced for exchange of abstract labour. But each concrete commodity has many more attributes: a certain colour or smell; it is related to specific needs and the result of a specific concrete labour, performed by a certain individual human being.

A third example: capital in general has certain characteristics that Marx describes in the first two volumes of *Capital*. But the different individual capitals (Apple, Volvo, etc.) each additionally has many more specific characteristics, and their mutual competition gives rise to further mechanisms and complications that Marx started to investigate in the third volume. This process must always continue, as the most concrete level of real capital movements in contemporary societies must always be investigated anew. Marxist theory is thus never complete.

Real abstractions

Just as essence and the forms in which it appears are equally real, the abstract and the concrete are also equally real – on condition that the abstractions are reasonable. But which are? To abstract is to ‘draw off’. In our thoughts, we can ‘draw off’ any aspects of reality, in order to reach thought-abstractions that may be more or less useful.

Some such abstractions correspond to processes in real life. When, for instance, commodity values are determined in real exchange practices, different concrete characteristics are disregarded – taste, colour, field of application, etc.: all that which is counted to the specific use-values of commodities. Marx returns to this repeatedly: ‘Equality in the full sense between different kinds of labour can be arrived at only if we abstract from their real inequality, if we reduce them to the characteristic they have in common, that of being the expenditure of human labour-power, of human labour in the abstract’.¹³ ‘This reduction appears to be an abstraction, but it is an abstraction which is made every day in the social process of production’.¹⁴ ‘In order to relate their products to one another as commodities, men are compelled to equate their various labours to abstract human labour. They do not know it, but they do it, by reducing the material thing to the abstraction, *value*’.¹⁵ Commodity-owners do not need to be aware of what they do in order for these economic processes to function, Marx stresses again and again: they ‘have therefore already acted before thinking’.¹⁶

In order to emphasise that such abstractions are made every day in real social practices, rather than just in the theoreticians’ brains, they are sometimes called ‘*real abstractions*’. There are many social practices that in real life neglect a range of concrete aspects and equalise different entities. In order for theory to be reasonable, it must reconstruct those real abstractions that actually function in capitalism. They form social regularities that have effects whether people know of them or not, with or without their consent – as long as people are not able to transform these societal rules themselves. They work ‘behind the backs’ of individuals. This is why they become laws, hard to master and see through. They make economy into a compulsory mechanism, which only the efforts of economy critique are able to de- and reconstruct, thereby pointing at potential for change.

In contrast to these ‘real abstractions’, one may talk of ‘*formal abstractions*’ that are mere thought constructions, not corresponding to any real practices of complexity reduction in social life. Many social theories also make abstractions from aspects of society, but tend to miss essential aspects and instead generalise directly from surface appearances. Abstract labour and value may for instance be used to describe all societies. A researcher may mentally try and count how much labour-time is invested in different products and compare them with each other. But such a value concept remains just a formal abstraction as long as this abstraction is not also – consciously or unconsciously – done in social practice, i.e. as long as value is not the actual basis for exchanging products in

society. One may for instance calculate ‘values’ for the artefacts of pre-modern tribal societies, but such values do not actually regulate exchange and production: they do not in a real sense ‘exist’ within those societies. Theory here as always develops in the footsteps of practice. When capitalism breaks through, value emerges as a real abstraction.

Capitalism delivers a kind of self-critique. Its inner essence is contradictory, which gives rise to increasingly disruptive crises, where everyone is reminded of its transitory character, also without any ‘theoretical’ studies. Marxism summarises the inner laws of capitalist development, showing these laws to be less stable and unshakeable than they normally appear. Marxist theory is a systematised summary of the experiences of individual people and of collective classes, both of the strength of capitalist laws and of their vulnerability. A real revolutionary destruction of the compulsory mechanisms of the capitalist economy does not automatically follow from Marxist theory but must build on real social changes where people create forms of production, sharing and life that do not blindly govern them but instead enable them to jointly develop their world.

Inquiry and presentation

If capitalism has this structure, how can this stratified totality be understood? First, one has to analyse a wide range of phenomena to reach behind the surface to the essence of these forms of appearance. Second, one must explain why this essence expresses itself in precisely these forms of appearance. First: What is the basis of prices in the supermarket? Second: Why do commodity values appear in the form of these prices? Marxist method thus runs in two stages:

- 1 *Inquiry*: the way down from surface forms of appearance to deep essences;
- 2 *Presentation*: the way back up from essences to forms of appearance.

When the research work of inquiry is done, the latter, finished presentation follows a logical route from the most abstract to increasingly concrete specificities. Marx’s main steps in *Capital* start with the commodity and then continue upwards in concretion through money and capital to competition between different capitals and an opening towards an in principle unfinished series of levels.

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

My dialectic method is, in its foundations, not only different from the Hegelian, but exactly opposite to it. For Hegel, the process of thinking, which he even transforms into an independent subject, under the name of

‘the Idea’, is the creator of the real world, and the real world is only the external appearance of the idea. With me the reverse is true: the ideal is nothing but the material world reflected in the mind of man, and translated into forms of thought.¹⁷

The complex reality gives rise to illusionary ideas that entice common sense to draw false conclusions that are taken as self-evident. The phase of inquiry starts with a mess of concrete ‘facts’. The presentation phase may then end with roughly the same facts, the same phenomena, but now understood as moments in a totality structured by hidden essential relations.

The beginning of *Capital* is utterly abstract, but Marx did not start by playing around with abstractions far from concrete reality. On the contrary: when the first volume was published in 1867, he had for two decades in London studied loads of statistics and reports that gave invaluable information on the workers’ situation in Britain and on everyday life in capitalism. He then peeled off various less essential aspects in order to reach to the most abstract and fundamental categories: the dual character of labour and the commodity. Without the initial and tedious analytical deconstruction of social reality and the search for its inner mechanism, Marx could never have begun by simply stating that precisely those categories are the most essential ones.

The next phase, presentation, is initiated in *Capital* and starts with those essential categories. Step by step, across thousands of pages, they are developed into increasingly concrete forms of appearance, through adding more and more determinations. New aspects are added in a consistent order, so that a fuller and richer understanding of the totality is approached – the social reality as structured by capital.

Distilling hidden connections behind ideological conceptions is sometimes called ‘*ideology critique*’. Marx argued that a materialist method primarily must move in the opposite direction:

It is, in reality, much easier to discover by analysis the earthly kernel of the misty creations of religion than to do the opposite, i.e. to develop from the actual, given relations of life the forms in which these have been apotheosised. The latter method is the only materialist, and therefore the only scientific one.¹⁸

Presentation is thus more than just a description of the result of the research process. It is the key to the materialist method that Marx developed.

First, Marx consciously disregarded all except the most essential determinations. He disregarded the division in classes, the competition between single capital forms, varying wages and technologies in different branches of industry or geographic regions, etc. It is only because of this reduction or abstraction that he can depict the basic mechanism of commodity production in a ‘pure’ way. Thereafter, the presentation must in logical order pull back in the classes, competition, uneven development, etc., in a parallel manner to how capitalism itself lets value abstraction (as a real abstraction) encounter all these phenomena.

Capital thus does not make a chronological narrative, moving through history to depict how capitalism has developed. There has for instance never been any society with ‘simple commodity production’ as is described in Chapter 1. A society with true commodities where all own their means of production and on equal footing exchange their products with each other is an abstraction made on the basis of mature industrial capitalism. That slightly idyllic simple commodity production without capitalists, where all people own their means of production and exchange products fairly on the market, has never existed, and can never exist.

One must thus distinguish between historical and logical modes of presentation. *Capital* is not an historical but a logical representation: a presentation of fully developed industrial capitalism, starting not with its ancient origins but with its central and most abstract core and then working towards more and more complex and concrete parts of capitalist society. Beginning with certain basic categories such as the dual character of labour and of commodities is not done because they only apply to the infancy of capitalism. No, they are equally valid today, and in fact incomparably more valid today than ever before. Marx begins with such categories because they are logically the simplest, most fundamental economic categories of all commodity-producing societies. In the rest of *Capital*, he shows step by step how they appear in complicated and distorted forms in the concrete realities of economic and everyday life. His analysis shows how the simple relations ‘logically’ develop into exploitation and class oppression. Historical narrations will return now and then, but they are then to be understood as illustrations or examples of how the key categories have functioned in capitalist history – it is not these historical processes that structure this text. It is true that there were commodity exchanges before money, and money before capital, but it was not until capitalism broke through as a full-scale mode of production that the commodity form became the normal rule for human labour products in general.

However, it is never possible to make a ‘pure’ logical presentation, nor to totally separate inquiry from presentation. In practice, there is an important pedagogic point in now and then interrupting the presentation of concepts with various passages of micro inquiries. One example is how the initial chapter starts with exchange-value and then moves downwards to value and abstract labour. It is also impossible to abstain from analysing all concrete phenomena that the logical journey has not yet reached: Marx often illustrates abstract relations with quite specific and concrete examples the full understanding of which would require much more than his route of presentation has so far accomplished. It is also true that Marx and any researcher of course has a range of steering concepts and abstractions in mind when starting digging among forms of appearance. The philosophy of hermeneutics (in particular in its modern form developed in Paul Ricoeur’s critical hermeneutics) may here contribute a useful reflection on what Marx actually did, though this has here to be left to the interested reader to pursue further. In general, Marx still tried to make his presentation logical in the sense that he himself described.

Levels of abstraction

Whether Marx's logical route was reasonable or not cannot really be judged until it has been concluded. But it can be useful in advance to have a rough idea of its main stages. *Capital* consists of a series of successive levels of abstraction or concretion. Between each level, new determinations are added. This results in a kind of logical cut through contemporary, fully developed capitalism. This construction of Marx's theory was first acknowledged in the 1960s by scholars like the Ukrainian Roman Rosdolsky, who in 1968 in *The Making of Marx's Capital* drew important conclusions from Marx's draft for *Capital*, the famous *Grundrisse*, written in 1857–1858 and first published around 1940. This reading gave clues to the key plan behind Marx's theoretical work, of which *Capital* was supposed to be only the beginning. Other contributors to this revival included studies by Czech philosopher Jindřich Zelený in 1962 and Helmut Reichelt of the German Frankfurt School in 1970.

Before this, *Capital* had often been misunderstood, so that it was thought that the initial abstract categories could be directly applied to specific companies, etc. It was particularly crucial to note that the main character in the first two volumes of *Capital* is 'capital in general', which is not just a bunch of individual capitalists, but rather the abstract and simple regularities that reside in each capitalist society and govern or determine the forms of much that can be perceived on the 'surface' of concrete realities around us. Capital in general can sometimes be understood as synonymous with 'total capital', i.e. the common factors of all capitals in a society. It is an abstraction from the fact that there are many different individual capitals. At the beginning of the presentation, it is hypostasised that there is only one single capital. Through mutual competition, the various individual capitals sometimes move quite differently from what is true on the level of capital in general. Each capitalist for instance in the short term gains on investing in new machinery, while that same technological evolution, as will be shown, for capital in general also implies a threat of shrinking profits.

Capital in general can be conceptualised as a kind of skeleton deep within the societal body, a skeleton that branches out into the soft parts by determining in which forms people must work, live and think. These are the main levels that Marx had in mind for his presentation:

- 1 *Commodity* – simple exchange, the law of value and the twofold character of the commodity: concrete/abstract labour and use-value/(exchange-) value.
- 2 *Money* – simple circulation and the contradiction between commodity and money.
- 3 *Capital in general* – the most abstract and basic determinations of capital. Here, Marx in Volume I deals with:
 - a. the immediate production process of capital (the remainder of Volume I), with the contradiction between labour process and value growth or valorisation process;
 - b. the immediate circulation process of capital (Volume II), where commodities and money are transformed into each other;

- c. the capitalist production process in its totality (beginning of Volume III), combining production and circulation. Then follows the key transition from capital in general to:
- 4 *Competition between many different capitals*, which moves closer to more well-known phenomena such as the different branches, the profit rate, landowning, banks, trade, etc.

Marx never managed to write much more than this in *Capital*, but he planned to continue thus:

- 5 *Classes*.
- 6 *State*.
- 7 *Foreign trade*.
- 8 *World market* and imperialism.
- 9 *Crises*.

The list may be indefinitely prolonged. The order between these subjects is far from arbitrary. The logic in the structure of presentation is determined by the inner order of capitalism itself. In this tree or skeleton, the scope for variation increases the higher up one reaches among the levels of concretion. The inner essence of capital remains constant, but its forms of appearance vary across different areas of life and society that may be investigated. The further one reaches in this study, the more there is a need to specify one's particular interest area, while one is at the beginning just obliged to understand the commodity, money and capital in general.

The basic essential concepts do not disappear when the more concrete forms are reached. They persist, but are enriched by new determinations, attributes and modifications. Values are for instance modified by competition, but remain as a basis for prices.

Some themes can be discussed on several levels, but are fully understood first at a later stage of concretisation. One may for example mention certain general conditions for crises already at the level of simple exchange. But a full analysis of real crises was something Marx had planned to offer only after he had first dealt with competition, classes, state and the world market. In a similar manner, one may already early on consider certain aspects of everyday life and mentalities on the basis of commodity fetishism, but considerably more background knowledge will be needed to fully grasp the relation between individual subjectivity and capitalism. One can therefore only briefly touch upon exciting issues that must then be postponed until later.

Dual character and dialectics

One key aspect of capitalism's structure has until now only been mentioned in passing, namely that capitalism is at its very foundation *contradictory*: most of its categories turn out to have a 'dual character'.

The simplest cell – the commodity – is a contradictory unity of use-value and value. This contradiction develops through all further levels of abstraction. It appears as a contradiction between commodities and money, then between labour process and valorisation (value growth) process, and then again in the class contradiction between labour and capital. Much later, it reappears in the famous tendency towards a falling rate of profit, which is a central motor behind capitalist crises.

It is the dual character or the inner contradiction of capitalism that forces it to restlessly develop, making capitalism a uniquely dynamic mode of production. And it is these contradictions that replicate themselves on all levels and force capitalism into increasingly serious crises. These crises testify to the self-disruptive vulnerability of the system, and open gaps for the emergence of another kind of society that would be able to transgress the logic of capital and the inner contradictions of commodity production.

The contradictory character of the essence of capitalism also forces Marxist presentation to be a *critique* of this capitalism. *Capital* displays the inner divides in this system, unmasks illusions and show why things seem so different from how they really are. This makes critical theory an important tool for transformative action.

What is *dialectics*? It can be understood as the abstract expression of the logical forms in which inner contradictions develop in capitalism: the forms in which the essential core of capital propels society and takes on shifting appearances. Marx made critical use of the dialectical method introduced by the idealist philosopher Hegel. Hegel had constructed this method as a pure form of thought, where concepts were thought abstractions projected onto more or less the whole universe. Everywhere he saw a unity of contradictions, a synthesis of thesis and anti-thesis. One side of each phenomenon (thesis) stood against its opposite (anti-thesis), and the movement of contradiction resulted in their synthesis. In this synthesis, the original contradiction was ‘sublated’ (the key German term is ‘*aufheben*’, which has an important double meaning that includes both ‘to abolish’ or ‘cancel’ and ‘to lift up’, ‘preserve’ or ‘transcend’). Sublation is the motor of dialectics whereby a concept is both preserved and transformed through its interplay with another concept that serves as its opposite. The original contradiction is at the same time overcome, transcended and lifted up to a higher level, and the resulting synthesis then becomes the thesis of a new contradiction on this higher level. Whereas Hegel located this dynamics in an unhistorical manner in the level of mind or spirit, Marx turned him back onto his feet and linked these concepts to the reality of capitalism for which they are actually valid, and it is this capitalist reality that has made it possible for us in modern societies to think at all in a dialectical manner. Marx used the method of dialectics because it suits the way capitalism functions and he identified it as the manner of development of material practices and conditions rather than as purely mental entities. As a form of thought, dialectics helps us understand the inner tensions of capitalism. In this perspective, it is the critique of political economy that is the basis of dialectics, rather than the other way around. Dialectics should therefore not be used as a method for analysing just anything.

When Engels later tried to construct a dialectics of nature, this was thus a highly problematic endeavour, far from Marx's key perspective. If some aspects of dialectics can be said to apply to nature, this may much more probably point at the fact that human ideas of nature must be inspired by social experience, rather than that there is any abstract dialectics rooted in pre-social nature itself. It has for instance been suggested that some modes of abstract thinking presumably became possible precisely when people started using coins, i.e. that formal abstraction was an effect of the real abstractions of money practices. Again, it remains important to delimit the methodological scope to the study of capitalist societies and avoid reifying these methodological tools into universal forms of understanding anything and everything in the world.

It must finally also be noted that, while Marx and his writings were always cautious to keep up a truly dialectical method that would respect the inner contradictions and ambivalences of capitalist society, they sometimes tended to tip over in one or the other direction. For instance, Marx had deep respect for Charles Darwin, as he felt an affinity to his way of historicising nature, showing that it has not always been the same but evolved over time. In a similar manner, society and economy have also been transformed. However, Marx was also fond of expressing his findings in terms of rather abstract and absolute laws, as will be seen in the following. One may perhaps in this respect compare him to the father of psychoanalysis, Sigmund Freud, who also throughout his career oscillated between understanding the human psyche in almost natural science terms as an automaton and instead applying an interpretive approach based more in the humanities. It can be argued that Freud's peculiar contribution and strength was not to concentrate on either perspective but to focus on their interrelations.¹⁹

In a similar vein, it is neither scientism nor activism that is at the core of Marx's theory, but their dialectical juxtaposition. Later Marxists have often tended to one-sidedly acknowledge one while cancelling the other. Various reformist schools have either tended to see capitalism as an automatic machine that will sooner or later tip over to socialism or overestimated the capacity of organised action to take over the state apparatus and from there master the economic relations.

It is sometimes tempting – even for Marx himself, it seems – to see the order of presentation from abstract to concrete as a predetermined sequence where the essence of capital just unfolds itself until it explains every detail of the empirical surface of everyday life. This is the risk with all talk of laws and of a capitalist logic. As an antidote to this, it must always be remembered that these laws and logics are deeply dialectical and contradictory ones: they are more tendencies than strict mechanisms, and Marx always points out how there are at every stage a range of possible developments that give space for human action to intervene. Capitalism does surely install a specific logic and a quasi-automatic mechanism at the core of society, but the inevitability of its workings builds upon a kind of illusion, based on the forms of fetishism and reification that return at several stages of the presentation.

What may first seem as a self-contradictory wavering between linear logics of development and open-ended class struggles should then rather be traced back to an inner contradiction in social and economic reality. Marxism is dialectical because capitalism is dialectical and, because capitalism is a historical epoch, Marxist critique of capitalism must also situate its object historically, even when that object has the (in a way both real and false) appearance of universal laws.

In the concluding postscript of this book, a set of questions for reflection and discussion are gathered. After having read one chapter, it might thus be useful to have a look at the questions to this chapter and spend some time considering what are the main conclusions of what has so far been presented here, before moving on to the next step.

Notes

- 1 *Capital III*: 350 (Marx, 1894/1991, Chapter 15). This volume is hereafter cited as *Capital III*.
- 2 *Capital I*: 174–175 (Chapter 1, note 34).
- 3 This chapter builds on Zelený (1962/1973), Rosdolsky (1968/1977), Autorenkollektiv Marx-Arbeitsgruppe Historiker (1968/1971: 'Introduction'), Krahl (1970), Reichelt (1970/1973), Haug (1974/2005), Backhaus (1974, 1975), Lundkvist (1975) and Broady (1976: 30f.).
- 4 The following section is based on Broady (1976: 17–21).
- 5 Marx (1859/1970, *A Contribution to the Critique of Political Economy*: 11–12, italics added).
- 6 *Capital III*: 927 (Chapter 47).
- 7 Marx (1859/1970, *A Contribution to the Critique of Political Economy*: 13).
- 8 Horkheimer (1937/1991: 249).
- 9 Engels (1890/2001, letter to Conrad Schmidt, 27 October 1890).
- 10 *Capital I*: 176 (Chapter 1, note 35).
- 11 Parts of the following section derive from Broady (1976: 30ff.).
- 12 Ricoeur (1965/1970).
- 13 *Capital I*: 166 (Chapter 1).
- 14 Marx (1859/1970, *A Contribution to the Critique of Political Economy*: 24).
- 15 Marx (1867/1976, Chapter 1 of the first German edition of *Capital I*).
- 16 *Capital I*: 180 (Chapter 2).
- 17 *Capital I*: 102 ('Afterword' to the second German edition).
- 18 *Capital I*: 494 (Chapter 15, note 4).
- 19 Laplanche (1987/1989) and Ricoeur (1965/1970).

3 Commodity and money

Part I of *Capital* Volume I consists of three chapters (Chapters 1–3) that analyse commodities, exchange and money. In particular, the first chapter on ‘Commodities’ is the most dense and difficult one in the whole work. Much of what subsequently follows develops germs that are sewn here. Marx worked much with this beginning, and it is instructive to compare the slightly different version he wrote for the first (German) edition in 1867, where he also included an Appendix, ‘The value-form’, which was meant to be easier to read, which is doubtful today, though it sheds additional light on the fascinating analysis of this basic value-form of capitalist societies.¹ Before diving into these basic forms of value and labour, it may be useful to reflect upon the foundations of contemporary societies.

Commodity production

A society is a mode of organisation of social life, shared by all people in a given time and space. In order to survive together, people have to (1) work to *produce* what they need; (2) *distribute* the products between them; and (3) *consume* these products to meet their individual and collective needs.² In capitalist society, production is the basis for how all these processes are organised. Most people in such a society are wage-labourers working under conditions over which they have little or no influence at all. They own their capacity for working and have to sell it in order to survive, as tools, machines, raw materials and products are owned by a tiny minority of capitalists. This key relation between workers and capitalists must be understood on the basis of the characteristics of commodity production in general, before the specificity of labour-power as a peculiar commodity is introduced. The first chapter of *Capital* therefore sets the existence of wage-labour and capital in parenthesis and analyses an underlying, more abstract relation within that commodity production itself.

The wealth of societies in which the capitalist mode of production prevails appears as ‘an immense collection of commodities’; the individual commodity appears as its elementary form. Our investigation therefore begins with the analysis of the commodity.³

A condition for commodities is *private property*. The independent commodity producers encountered in this first chapter are supposed to own their own labour force, their means of production and the products they make by their own labour. A simple farmer or craftsman has this basic control over his private property, and it is this private ownership over means of production that results in labour products being commodities owned by particular individuals. The owners of commodities must ‘recognize each other as owners of private property’, says Marx.⁴ In contrast to what bourgeois economists tend to believe, this focus on individuals’ private interests is no universally or eternally human or natural condition, but itself the outcome of a social and historical individualisation process:

The economists express this as follows: Each pursues his private interest and only his private interest; and thereby serves the private interests of all, the general interest, without willing or knowing it. The real point is not that each individual’s pursuit of his private interest promotes the totality of private interests, the general interest. One could just as well deduce from this abstract phrase that each individual reciprocally blocks the assertion of the others’ interests, so that, instead of a general affirmation this war of all against all produces a general negation. The point is rather that private interest is itself already a socially determined interest, which can be achieved only within the conditions laid down by society and with the means provided by society; hence it is bound to the reproduction of these conditions and means. It is the interest of private persons; but its content, as well as the form and means of its realization, is given by social conditions independent of all.⁵

Another underlying condition is a societal *division of labour*. ‘This division of labour is a necessary condition for commodity production’.⁶ Individuals or families are not self-sufficient units but mutually dependent on each other, relying for survival on exchanging goods and services with others. Everyone has plural and differentiated needs, but only one profession or at least a much more limited range of capacities for production. Modern, complex societies must possess some mechanism of distribution that ensures that individuals get access to each other’s labour products.

A third condition is that the form of distribution of labour products in commodity-producing societies is based on mutual *exchange* between independent producers, rather than for instance on collective planning, which would have demanded communal rather than private property as a basis. The private commodity producer can only control his own production. If he wants anything else, he must go to the market to find it, and there he must have something to offer in exchange for what he needs. Private producers exchange their labour products with each other. Commodity production is a society of exchange, where all are dependent on products others have made and which they can get hold of only by trading for the products of their own hands.

Products made not for immediate consumption by their producers but for exchange are called *commodities*. Commodities are found in ancient societies as

well, as Marx often notes: ‘The production and circulation of commodities are however phenomena which are to be found in the most diverse modes of production, even if they vary in extent and importance’.⁷ However, it is first with established modern capitalism – where private property, division of labour and exchange mechanisms are the fully developed norm – that they become the standard mode of producing, distributing and consuming the products of human labour.

The first chapter of *Capital I* constructs an abstract fiction of *simple commodity production* that is never the dominant mode of production in any society. It is based on the fictive assumption that means of production as well as labour products belong to the immediate producers themselves, who therefore do not have to sell their labour-power as a commodity. When commodity production does rule a society, it is in the mode of *capitalist commodity production*, where means of production and labour products do not belong to the workers, who instead have to sell their labour-power in commodity form to the capitalists who control the production process.

Commodities

Marx’s presentation starts with a kind of micro-inquiry, where he moves from the dual character of commodity values as use-values and exchange-values, down to the basis of the latter in the value-form that derives from the parallel dual character of the labour that produces these commodities.

The first thing to be noted with a commodity is that it is something with specific characteristics that make it meet somebody’s need. It has a texture, colour, size, weight and form that makes it different from other commodities and makes it useful to at least somebody.

The commodity is, first of all, an external object, a thing which through its qualities satisfies human needs of whatever kind. The nature of such needs, whether they arise, for example, from the stomach, or the imagination, makes no difference. Nor does it matter here how the thing satisfies man’s need, whether directly as a means of subsistence, i.e. an object of consumption, or indirectly as a means of production.⁸

Usefulness is an essential condition for anything to become a commodity in the first place. This is what gives a commodity its *use-value*: ‘The usefulness of a thing makes it a use-value’. Use-value therefore does not reside within a thing in itself, but arises in the relation between a thing and a human being: ‘Use-values are only realized [*verwirklicht*] in use or in consumption’, says Marx.⁹

In the quote above, Marx insists that this usefulness is not limited to basic bodily needs, but is also valid for the human needs that have to do with the imagination. This implies that cultural commodities such as symbolic images or fictional narratives have no less use-values than those material utilities that people need for eating or clothing. The only thing important is that a commodity is able to meet some kind of human need.

Use-values cannot as such be measured. They are not quantifiable, pure qualities that make them different from each other, and it is their different individual characteristics that make exchanging them at all meaningful.

In all societies, use-values ‘constitute the material content of wealth, whatever its social form may be’. They are not linked to any specific social organisation, but are the basic form of how humans interact with things in the world. ‘In the form of society to be considered here they are also the material bearers [Träger] of ... exchange-value’.¹⁰ Here, Marx introduces another kind of value, *exchange-value*.

In exchange, commodities differ by their use-values, but at the same time they must be regarded as in some respect similar. If a weaver exchanges 10 yards of linen against one coat, this is possible since he produces lots of linen but needs a coat for the winter. The difference between these two kinds of commodities is a necessary condition. But the act of exchange in practice, as a real abstraction, creates a kind of equality between the 10 yards of linen and the coat. This placing of them on equal footing demands that some characteristic is similar between them, in spite of their radical difference in use-value terms.

What is the basis of equalising the two? It cannot be based on any of those physical and other qualitative traits that made them use-values and thus candidates for need-fulfilment and therefore exchange in the first place. ‘As use-values, commodities differ above all in quality, while as exchange-values they can only differ in quantity, and therefore do not contain an atom of use-value’.¹¹

The only characteristic possible for equalising commodities is the fact that they are *labour products*, made by human beings. What distinguishes commodities from natural things is the fact that human beings have spent labour on producing the commodities: they are labour products. It is this characteristic that lies behind their exchange-value, which is thus some kind of measure of how much labour has been spent on making a commodity.

Marx makes a first, perhaps slightly confusing, distinction between exchange-values and just values. In practice the difference is rarely that important and he often slides between them in a less rigorous manner. One may understand this in terms of essence and appearance. Value belongs to the essence of a commodity and is measured in labour-time. As this labour-time spent on making a commodity is not directly visible, it has to appear in some other form than as hours and minutes. When value appears, it takes the form of exchange-value.

We have seen that when commodities are in the relation of exchange, their exchange-value manifests itself as something totally independent of their use-value. But if we abstract from their use-value, there remains their value, as it has just been defined. The common factor in the exchange relation, or in the exchange-value of the commodity, is therefore its value. The progress of the investigation will lead us back to exchange-value as the necessary mode of expression, or form of appearance, of value. For the present, however, we must consider the nature of value independently of its form of appearance [*Erscheinungsform*].

A use-value, or useful article, therefore, has value only because abstract human labour is objectified [*vergegenständlicht*] or materialized in it. How, then, is the magnitude of this value to be measured? By means of the quantity of the 'value-forming substance', the labour, contained in the article. This quantity is measured by its duration, and the labour-time is itself measured on the particular scale of hours, days etc.¹²

Let us sum up so far. *Use-value* is the aspects of a thing that make it useful to meet certain human needs. *Value* is a social relation between people that masks itself as an objective relation between things; it is based on societal labour that is embodied in a commodity and which in exchange appears as the exchange-value of a commodity. A *commodity* is a product of human labour that is able to satisfy specific human needs and which can be exchanged for other commodities.

Use-values are found of very different kinds. Some are predominantly means of consumption, satisfying people's personal needs. Others are mostly used as means of production that only indirectly satisfy human needs by serving as tools for further production processes (machines, raw materials, energy and the like). Exchange-values (as the form of appearance of values) are the quantitative relations in which commodities of one kind are exchanged for commodities of some other kind. For instance, 10 yards of linen may be exchanged for one coat, implying that the piece of linen has the same exchange-value as one coat, in turn based on the implication that the labour-power used for producing the linen is the same as the amount of labour spent on making one coat.

Marx has now established a link between commodity values and labour. This is a key basis for Marxist economy critique, but also something that many later thinkers to the left and to the right have contested. For the moment, these objections must be left aside, in order to let the core idea be fully developed first. There is a crucial imbalance between use-values and (exchange-) values in that the former are necessary for the latter to exist but not the other way around:

A thing can be a use-value without being a value. This is the case whenever its utility to man is not mediated through labour. Air, virgin soil, natural meadows, unplanted forests, etc. fall into this category. A thing can be useful, and a product of human labour, without being a commodity. He who satisfies his own need with the product of his own labour admittedly creates use-values, but not commodities. In order to produce the latter, he must not only produce use-values, but use-values for others, social use-values. (And not merely for others. The medieval peasant produced a corn-rent for the feudal lord and a corn-tithe for the priest; but neither the corn-rent nor the corn-tithe became commodities simply by being produced for others. In order to become a commodity, the product must be transferred to that other person, for whom it serves as a use-value, through the medium of exchange.) Finally, nothing can be a value without being an

object of utility. If the thing is useless, so is the labour contained in it; the labour does not count as labour, and therefore creates no value.¹³

Strictly speaking, use-values do not only derive from labour alone, but also from nature:

Use-values like coats, linen, etc., in short, the physical bodies of commodities, are combinations of two elements, the material provided by nature, and labour. If we subtract the total amount of useful labour of different kinds which is contained in the coat, the linen, etc., a material substratum is always left. This substratum is furnished by nature without human intervention. When man engages in production, he can only proceed as nature does herself, i.e. he can only change the form of the materials. Furthermore, even in this work of modification he is constantly helped by natural forces. Labour is therefore not the only source of material wealth, i.e. of the use-values it produces. As William Petty says, labour is the father of material wealth, the earth is its mother.¹⁴

This is true for the *material* wealth of use-values, not for the *social* wealth of exchange-values, which are solely dependent on human labour.

The dual character of labour

The contradictory dual character of value goes back to the labour that creates it – this is a discovery that Marx was proud of:

Initially the commodity appeared to us as an object with a dual character, possessing both use-value and exchange-value. Later on it was seen that labour, too, has a dual character: in so far as it finds its expression in value, it no longer possesses the same characteristics as when it is the creator of use-values. I was the first to point out and examine critically this twofold nature of the labour contained in commodities.¹⁵

As for use-value, commodities are the result of a specific kind of goal-oriented labour: the linen is made by weaving, the coats by tailoring. Just as use-values are unique and different between different commodities, this is also true for the movements and efforts involved in producing them. At the same time, all commodities are products of human labour, which is a similarity between them. Whatever kind of labour is involved, it is a spending of labour-power. At the end of the workday, the worker is tired, whatever he has spent his force on in the workday. This expenditure of labour-power constitutes the common denominator for all commodities – i.e. that which makes them comparable.

The exchange makes weaving and tailoring equally valuable, by disregarding the different forms of these activities. Still, this abstract kind of labour that creates value does not erase the concrete labour that differs so radically between

the two professions. Weaving remains weaving even as linen is compared and thus put on equal footing with coats. The exchange expresses in practice the similarity between the two kinds of labour, in spite of their mutual differences, and it is precisely because they are different that anybody cares for exchanging and therefore comparing them. The equal and measurable general labour invested in the commodities gives them the shared quality of being values.

There is here a direct translation between the shared quality of general labour (in the activity) and the quality of value (in the commodity). To be a value is no natural property that can be perceived with our common senses. It is a societal characteristic that only becomes 'visible' in the exchange process. It is a characteristic that says that the commodity results from human labour that is comparable to all other kinds of human labour. Value is a social, not a natural quality. There is no way to see values. Yet, they are no pure mental ideas, since the commodity exchange itself shows that values exist. This exchange compares commodities with each other because they are values and (in correct quantitative proportions) can be similar, regarded as values. This only happens in the historical conditions of private property, division of labour and exchange mentioned before.

Each commodity thus unites two very different, even oppositional characteristics: (1) use-value and (2) value. Which aspect comes to the fore depends on whether the commodity is regarded as the result of (1) a specific kind of labour with a specific aim (concrete and particular labour), or (2) labour in general (abstract and general labour). The linen and the coat are different as use-values, while being similar as values, and the corresponding contrast applies to the two kinds of labour involved: weaving and tailoring.

Commodities must thus always be regarded from a double viewpoint, based on the dual character of the commodity as use-value and value, and of labour as concrete and abstract labour. A commodity does not, strictly speaking, contain two separate kinds of labour, but rather one labour that may be regarded from two radically different viewpoints:

On the one hand, all labour is an expenditure of human labour-power, in the physiological sense, and it is in this quality of being equal, or abstract, human labour that it forms the value of commodities. On the other hand, all labour is an expenditure of human labour-power in a particular form and with a definite aim, and it is in this quality of being concrete useful labour that it produces use-values.¹⁶

Just as the commodity must be a utility to be a value, labour must primarily be useful in order to count as being expenditure of human power, human labour, in the abstract sense of the word. Private and concrete labour gives rise to the use-value of a commodity; societal and abstract labour produces its value.

If 10 yards of linen are exchanged for one coat, both are values, but of a specific quantity: 10 yards of linen = 1 coat. This exchange relation thus not only expresses the *qualitative* similarity of commodities as values, but also their *quantitative* relations.

Value is the result of abstract labour in general. It is measured by the amount of labour spent on making the commodity: by the *labour-time* spent on its production. If 5 yards of linen can be made in 1 hour, then 10 yards have the value of 2 hours' labour-time. The exchange-rate shows that one coat has a value of 2 hours. To make one coat thus takes exactly as long as making 10 yards of linen, i.e. 2 hours.

If the commodity value thus grows in proportion to the time spent on producing it, one might imagine that a slow or lazy producer would make more valuable commodities than those who work fast and efficiently, since the former spends more time on his product than the latter. But it is not the single, unique producer's achievement that measures values. The value must have a societal validity. One must therefore base calculations not on the actual time spent in each case, but adjust this in relation to the average degree of skill and intensity of labour under average societal conditions of production. Value depends not on the specific individual labour-time spent, but on the *socially necessary labour-time*. 'Socially necessary labour-time is the labour-time required to produce any use-value under the conditions of production normal for a given society and with the average degree of skill and intensity of labour prevalent in that society'.¹⁷ This is the yardstick for measuring the value of commodities. The producer who works more slowly than others only gets the social average when he exchanges his labour products.

It should be noted here that Marx actually uses the term 'societally necessary' (*gesellschaftlich notwendig*), rather than 'socially necessary'. This applies throughout, but here the most common translation will be followed. It is a linguistically simpler construction, but it should be remembered that Marx, with 'social' in such contexts, consistently thinks of a whole society as involved in determining this necessity, not just any social relation between a limited set of people.

The socially needed labour-time changes over time, for instance when more efficient machines are used, resulting in a gradual diminishing of the value of each commodity, combined with a growing number of commodities, i.e. a greater wealth of human societies, in use-value terms. This process will be studied in greater detail later on.

The average labour-time that is socially necessary to produce a commodity cannot be calculated in advance by any single producer. It can only be found out by throwing commodities out on the market, where the interaction of supply and demand creates a complex exchange mechanism of which values at the end result. If supply exceeds demand, then commodity prices will fall below values, making the production of such commodities less attractive, which will then lead to shrinking supply and rising prices, until an approximate and dynamic equilibrium is established, at least over time. On average, in the longer run, commodities will then be sold to their correct values, corresponding to the socially necessary labour-time spent on their production. The sum of all prices of all commodities in a society is in principle always equal to the sum of the value of all these commodities, even though for each commodity the balance shifts continuously. Commodity production depends on successful exchange,

which rests on regularities that function more or less automatically behind the backs of all human actors, and independent of their subjective will.

Must not supply and demand affect values much more radically than Marx thinks? His idea is that they affect prices but not values.¹⁸ This may be true at the abstraction level of the first volume of *Capital*, with the subtitle, *The process of production of capital*, where values are determined in relation to production, i.e. by the labour-time that is on average needed for producing a particular commodity. The extent of this labour-time varies, depending on the technology used and the intensity as well as the organisation of work involved. The necessary time for making a TV set today is a fraction of that needed two decades ago, and its value has diminished correspondingly.

Adversaries of Marx's labour theory of value often just stay with the Volume I analysis, arguing that it neglects use-values and needs, and that socially necessary labour-time cannot be the only determinant of commodity values. However, stepping up a bit from the deep abstraction level of Volume I, and scrutinising not only how commodities are produced but also sold and consumed, as Marx does in *Capital* Volumes II and III, then supply and demand also may affect values, not only prices. For, what is 'socially necessary labour-time', and how is the total labour-time in the whole society allocated onto the production of various kinds of goods? That the labour-time is 'social' means that it is geared towards satisfying other people's needs, which on the surface are expressed through demand. Imagine that far too many TV sets are made, compared to what people have need for. In such a case, a too big part of the total social labour-time has been invested, so that the value of each TV set is much lower than the actual time spent, since it contains superfluous labour-time. We need not question the Marxist basis in a labour theory of value in order to accept that the degree to which the labour-time spent on making TV sets is in reality socially necessary is co-determined by the social need for TV sets. This need is not visible in the production process, but first on the market. A TV set that nobody wants lacks use-value and therefore also has no value, since every commodity needs to have a use-value in order to have a value. The socially necessary labour-time stands in a relation to the total social need for a certain use-value.

The *value* of a commodity is thus measured by the amount of *labour-time* that is *socially necessary* for producing a commodity, i.e. the time needed in normal conditions, with average experience, skills and intensity of labour. It would be misleading to say that value *is* labour (or labour-time). More correctly, value is created by labour: 'Human labour-power in its fluid state, or human labour, creates value, but is not itself value. It becomes value in its coagulated state, in objective form'.¹⁹

Exchange in four steps

Before the price mechanism can be further analysed, Marx has to more carefully scrutinise the precise forms in which values are established and compared to

each other in an economy of commodity production and exchange. It is this process that explains how the dual character of commodities and of labour is not just a structural dichotomy but rather the basis of a contradictory movement where these opposites interrelate in fateful ways.

In capitalist societies, commodities are rarely exchanged directly with each other. Usually, money mediates such exchange. In order to understand what money is, one must first study the direct exchange between one commodity and another, and in specific steps advance logically from this basic relation up towards the more complex and concrete form of appearance that values take with the introduction of money.

Not an atom of matter enters into the objectivity of commodities as values; in this it is the direct opposite of the coarsely sensuous objectivity of commodities as physical objects. We may twist and turn a single commodity as we wish; it remains impossible to grasp it as a thing possessing value. However, let us remember that commodities possess an objective character as values only in so far as they are all expressions of an identical social substance, human labour, that their objective character as values is therefore purely social. From this it follows self-evidently that it can only appear in the social relation between commodity and commodity. In fact we started from exchange-value, or the exchange relation of commodities, in order to track down the value that lay hidden within it. We must now return to this form of appearance of value.²⁰

1 Elementary or accidental form of value

Commodities are use-values: they are useful to those who acquire them by exchange. They are also values: they result from abstract and general labour. Values cannot be seen when looking at commodities, but only appear through some kind of relation. The analysis of value therefore requires at least two different commodities that are compared. 'Hence the relation between the values of two commodities supplies us with the simplest expression of the value of a single commodity'.²¹ In exchange, only use-values or material things are directly observed, in spite of the fact that each commodity involved is both use-value and value at the same time.

Two commodities need to express that they are mutually different in terms of use-values but similar in terms of values. The former is evident, but the latter must be expressed indirectly, as a matter of a quantitative relation between the two, where the use-value of one commodity expresses the value of the other commodity.

The value of the 10 yards of linen mentioned previously can only be expressed in a relative manner, i.e. in relation to another commodity. It can here first appear in the form of a coat that the tailor spent an equal amount of labour-time producing. In such a comparison, the coat appears as the exchange-value of the

linen, when the weaver estimates that the 10 yards of linen are worth one coat. The commodity use-value (here the coat) that in such a relation serves to express the value of another commodity (the linen) is called *equivalent*. The coat here has the task of standing as equivalent to the value of the linen, based on the fact that it is a use-value for somebody else, in this case for the weaver. The coat as equivalent is thus a use-value for the weaver and at the same time a measure of value for the linen. It serves both as a piece of clothing and as an equivalent in the exchange process and it has both these functions in its capacity of being a use-value. It only has the second function in the context of this particular exchange relation. The tailor produces a coat that has no use-value for him, since it is made to be a means of exchange on the market. He produces an equivalent in order to be able to exchange it for the linen that he needs. The commodity producer who makes things for exchange produces equivalents, i.e. values. He is indifferent as to which specific use-value the value he must produce appears in. This implies that use-values and therefore also human needs tend to be of subordinate importance in a commodity-producing society.

Marx describes this complex process in his typical, humoristic manner, which deserves to be quoted at some length:

When it is in the value-relation with the linen, the coat counts qualitatively as the equal of the linen, it counts as a thing of the same nature, because it is value. Here it is therefore a thing in which value is manifested, or which represents value in its tangible natural form. Yet the coat itself, the physical aspect of the coat-commodity, is purely a use-value. A coat as such no more expresses value than does the first piece of linen we come across. This proves only that, within its value-relation to the linen, the coat signifies more than it does outside it, just as some men count for more when inside a gold-braided uniform than they do otherwise.

In the production of the coat, human labour-power, in the shape of tailoring, has in actual fact been expended. Human labour has therefore been accumulated in the coat. From this point of view, the coat is a 'bearer of value', although this property never shows through, even when the coat is at its most threadbare. In its value-relation with the linen, the coat counts only under this aspect, counts therefore as embodied value, as the body of value [*Wertkörper*]. Despite its buttoned-up appearance, the linen recognizes in it a splendid kindred soul, the soul of value. Nevertheless, the coat cannot represent value towards the linen unless value, for the latter, simultaneously assumes the form of a coat. An individual, A, for instance, cannot be 'your majesty' to another individual, B, unless majesty in B's eyes assumes the physical shape of A, and, moreover, changes facial features, hair and many other things, with every new 'father of his people'.

Hence, in the value-relation, in which the coat is the equivalent of the linen, the form of the coat counts as the form of value. The value of the commodity linen is therefore expressed by the physical body of the commodity coat, the value of one by the use-value of the other. As a use-value,

the linen is something palpably different from the coat; as value, it is identical with the coat, and therefore looks like the coat. Thus the linen acquires a value-form different from its natural form. Its existence as value is manifested in its equality with the coat, just as the sheep-like nature of the Christian is shown in his resemblance to the Lamb of God.²²

It is not very easy to understand that the value of one commodity (the linen) is expressed by the use-value of another (the coat). Marx summarises:

By means of the value-relation, therefore, the natural form of commodity B becomes the value-form of commodity A, in other words the physical body of commodity B becomes a mirror for the value of commodity A. Commodity A, then, in entering into a relation with commodity B as an object of value [*Wertkörper*], as a materialization of human labour, makes the use-value B into the material through which its own value is expressed. The value of commodity A, thus expressed in the use-value of commodity B, has the form of relative value.²³

The argument can now be summarised in a number of points: (1) the individualised work activities are actually elements of a societal production process, as they are production in, for and of a whole society; (2) commodity exchange is the social bond between the fragmented and isolated private producers; (3) the relation between producers and their products is actually linked to social relations between individuals; (4) the amounts of (socially necessary) labour spent on products do not appear until the commodities enter into exchange processes on the market, where these labour amounts (values) appear as exchange-values of the commodities; (5) the value of a commodity becomes visible only when it is traded for another commodity, another use-value. That other use-value is in this relation transformed into a form of appearance of its opposite, namely, its value. At this point, Marx notes three peculiarities in the form of equivalent discussed so far. 'The first peculiarity which strikes us when we reflect on the equivalent form is this, that use-value becomes the form of appearance of its opposite, value'.²⁴ The commodity form thus gives rise to a typical dialectical movement where opposites are linked in strange ways; (6) this in turn implies that the abstract labour invested in the first commodity through the exchange process is measured by the concrete labour invested in the commodities that this first one is traded for: 'The equivalent form therefore possesses a second peculiarity: in it, concrete labour becomes the form of manifestation of its opposite, abstract human labour';²⁵ and (7) finally, this has implications also for the polarity between individual and social spheres. All commodity-producing labour is fundamentally social, as it is work for others within the production process of society at large but, on the market, this social aspect is only visible through private relations: 'Thus the equivalent form has a third peculiarity: private labour becomes the form of its opposite, namely labour in its directly social form'.²⁶ This is the basis for the famous commodity fetishism that will be explained below.

At this point, Marx makes a clarification that deserves to be noted:

When, at the beginning of this chapter, we said in the customary manner that a commodity is both a use-value and an exchange-value, this was, strictly speaking, wrong. A commodity is a use-value or object of utility, and a 'value'. It appears as the twofold thing it really is as soon as its value possesses its own particular form of manifestation, which is distinct from its natural form. This form of manifestation is exchange-value, and the commodity never has this form when looked at in isolation, but only when it is in a value-relation or an exchange relation with a second commodity of a different kind.²⁷

No commodity is an exchange-value in itself, as an autonomous thing, but only in its exchange relations with another commodity, through which a complex dialectic is initiated between the use-values and exchange-values of these two commodities.

The internal opposition between use-value and value, hidden within the commodity, is therefore represented on the surface by an external opposition, i.e. by a relation between two commodities such that the one commodity, *whose own* value is supposed to be expressed, counts directly only as a use-value, whereas the other commodity, *in which* that value is to be expressed, counts directly only as exchange-value. Hence the simple form of value of a commodity is the simple form of appearance of the opposition between use-value and value which is contained within the commodity.²⁸

This is typical of a dialectical movement whereby internal contradictions (in each commodity) appear in several steps as external contradictions (between commodities).

2 Total or extended form of value

The elementary form of value described so far has the limitation that it demands that two producers must have need for each other's products. The tailor must need 10 yards of linen and the weaver who made the linen must want to use the tailor's coat. The weaver not only has to find a tailor offering a coat, but that tailor must also turn out to need linen. Such coincidence happens only occasionally and cannot be the foundation of a mature market system. However, the weaver usually has many other needs as well. The extended form of value states that the 10 yards of linen are equal in value not only to one coat but perhaps also to 25 loaves of bread, two chairs or 10 grams of gold. Here, the linen has as many equivalents as there are commodities to choose among. Still, the weaver can only make the exchange if the other producers (the farmer, the carpenter or the gold-digger) want his linen. The situation looks precisely the same for those other commodity producers. For the gold-digger,

for instance, in the extended form of value, the 10 g of gold are worth one coat, 25 loaves of bread, two chairs or 10 yards of linen. Each commodity has a whole series of particular equivalents, and the producers have to go around and search for a long time before they can make a matching exchange.

All commodities are non-use-values for their owners, and use-values for their non-owners. Consequently, they must all change hands. But this changing of hands constitutes their exchange, and their exchange puts them in relation with each other as values and realizes them as values. Hence commodities must be realized as values before they can be realized as use-values.²⁹

3 General form of value

If a weaver can exchange his linen against many other commodities and thus express the value of the linen in these other commodities' use-values, then the other commodity owners can also trade their goods for the linen. All the other commodity values must therefore also be able to express themselves in one single commodity, in this case the linen. Turning the previous relation around, it can thus be said that one coat or 25 loaves of bread or two chairs or 10g of gold are all worth 10 yards of linen. (Any commodity can take the value-measuring position, including for instance the gold.) This is the general form of value. Here all commodities express their values in a specific commodity (here: linen), which becomes the general equivalent for all other commodities.

4 Money-form

In a final step, one commodity gets this value-measuring function, not only on some unique occasion, but regularly and on a more permanent basis. Such a general equivalent that is acknowledged as such throughout society is what we call *money*. Money is a commodity that has a monopoly of serving as general equivalent in a society. The money system emerged over a longer period and not from any pre-existing plan. It was the result of a daily practice among producers who had to make exchanges in order to survive. It was not a technical tool that was consciously constructed in order to solve the difficulties involved in complex mutual exchange processes. Money simply emerged over a long period of time from the need and habit of relating all other products to one single commodity that seemed particularly well equipped for that task. For some societies it might have been cattle, fur or dried fish, but in modern capitalist societies, it tended to be *gold* that became the most established money commodity.

The pre-Socratic Greek philosopher Heraclitus, who, besides Hegel, was a key inspiration for Marx's dialectics, had also pointed at the importance of this universal exchangeability: 'All things are an interchange for fire, and fire for all things, just like goods for gold and gold for goods'. When gold has become

money, its use-value is doubled. It retains its original functions as jewellery or tooth filling, but it also serves as general equivalent.

The universal equivalent form is a form of value in general. It can therefore be assumed by any commodity. On the other hand, a commodity is only to be found in the universal equivalent form (form C) if, and in so far as, it is excluded from the ranks of all other commodities, as being their equivalent. Only when this exclusion becomes finally restricted to a specific kind of commodity does the uniform relative form of value of the world of commodities attain objective fixedness and general social validity.

The specific kind of commodity with whose natural form the equivalent form is socially interwoven now becomes the money commodity, or serves as money. It becomes its specific social function, and consequently its social monopoly, to play the part of universal equivalent within the world of commodities.³⁰

There are many reasons why a specific commodity becomes particularly useful in the function as general equivalent. Gold is for instance difficult to produce and therefore expensive, so that only small volumes were needed to measure even big values. Gold is also exceptionally stable and does not easily deteriorate over time, it is homogeneous and can therefore easily be measured by weighing and it is also easy to divide and fuse pieces of gold to construct an entity of any required size and value. It is also easy to inscribe messages on pieces of gold that make explicit how much they weigh and thus are worth.

This series of exchange models can for our little example be summed up in four logical steps: (1) the *elementary form of value* is an accidental relation between two commodities in a singular exchange relation, where for instance 10 yards of linen equal or are worth one coat; (2) the *extended form of value* is when each commodity producer regularly enters many alternative exchange relations, for example when 10 yards of linen equal one coat or 25 loaves of bread or two chairs or 10 g of gold, in an open chain that tendentially involves all other commodities available on the market; (3) the *general form of value* instead selects any specific commodity and compares all others to this single one: here, one coat or 25 loaves of bread or two chairs or 10 g of gold are worth 10 yards of linen; (4) the *money-form* occurs when this role as general equivalent has in a society been fixed onto one particular commodity, for instance gold, that from then on constantly serves as money in that society, enabling everyone to say that 10 yards of linen or one coat or 25 loaves of bread or two chairs are all worth 10 g of gold.

At the end of this chain, we have moved from the elementary and immediate commodity exchange:

COMMODITY → COMMODITY
(C → C)

to the commodity exchange mediated by money:

COMMODITY → MONEY → COMMODITY
(C→M→C)

It is useful to be reminded of how typical this manner of presentation is for Marx's method. He initially presents a really weird world that is an abstraction from so much of the specificities of daily life and that has also never existed before in history. He for instance disregards monopolies that always tend to affect how values are transformed into prices. In the imagined society of independent commodity producers he assumes here, there are no capitalists competing with each other and no fundamental differences between various branches of production. In the resulting simplified model world, some simple but essential rules govern society. In chapter upon chapter, Marx then adds determinations and moves from the abstract up to the increasingly concrete surface of economic reality. In this, he carefully shows how the core essential relations remain in force, as a kind of skeleton or core building elements in a much more complex social totality. And instead of first just offering abstract mathematical models and only moving towards living experience at the end, he now and then offers empirical illustrations that also serve to highlight how the abstract inner regularities of capitalism constantly appear in lived reality as well.

Also, this whole presentation makes it clear that Marx's economy critique is much wider than just an analysis of the economic sector: it is a social theory for understanding a wide range of human activities in modern societies.

Functions of money

Money thus arises when societies need it, not by any communal decision but in practice, as a typical form of real abstraction. It is the mass of human actions and interactions that result in the establishment of money.

Money necessarily crystallizes out of the process of exchange, in which different products of labour are in fact equated with each other, and thus converted into commodities. The historical broadening and deepening of the phenomenon of exchange develops the opposition between use-value and value which is latent in the nature of the commodity. The need to give an external expression to this opposition for the purposes of commercial intercourse produces the drive towards an independent form of value, which finds neither rest nor peace until an independent form has been achieved by the differentiation of commodities into commodities and money. At the same rate, then, as the transformation of the products of labour into commodities is accomplished, one particular commodity is transformed into money.³¹

Commodity exchange and money first tend to appear on the fringes of ancient tribe societies, where products are exchanged with other tribes.

However, as soon as products have become commodities in the external relations of a community, they also, by reaction, become commodities in the internal life of the community. Their quantitative exchange-relation is at first determined purely by chance. They become exchangeable through the mutual desire of their owners to alienate them. In the meantime, the need for others' objects of utility gradually establishes itself. The constant repetition of exchange makes it a normal social process.³²

A similar process then spreads money through the whole of a society. The introduction of money is a real abstraction that solves some difficulties but does not dissolve the basic inner contradictions in the commodity form.

We saw in a former chapter that the exchange of commodities implies contradictory and mutually exclusive conditions. The further development of the commodity does not abolish these contradictions, but rather provides the form in which they have room to move. This is, in general, the way in which real contradictions are resolved.³³

Besides the original use-values of the commodity that becomes money (gold), in its function as money, it fulfils a series of new social roles. First of all, it is a *measure of values*. 'Money as a measure of value is the necessary form of appearance of the measure of value which is immanent in commodities, namely labour-time'.³⁴ The expression of the value of a commodity in gold is its money-form or *price*. Money serves this function in its ideal existence, as just imagined. One does not need to have any money or to exchange anything in order to imagine the value of another commodity in money-terms, i.e. as its price. 'The price or money-form of commodities is, like their form of value generally, quite distinct from their palpable and real bodily form; it is therefore a purely ideal or notional form'.³⁵ When money measures value it is employed as imaginary or ideal money.

What was initially true of values remains true also of prices: 'Price is the money-name of the labour objectified in a commodity'.³⁶ However, the price form makes possible certain deviations in this respect, since prices may temporarily go up or down even without any substantial change in the amount of socially necessary labour invested in a commodity.

The possibility, therefore, of a quantitative incongruity between price and magnitude of value, i.e. the possibility that the price may diverge from the magnitude of value, is inherent in the price-form itself. This is not a defect, but, on the contrary, it makes this form the adequate one for a mode of production whose laws can only assert themselves as blindly operating averages between constant irregularities.³⁷

A second function of money is as a *medium of circulation*. This function requires real money (for instance gold), not just ideal (or mentally imagined) money. With the introduction of money, two common commodities need no more to be directly juxtaposed in exchange. Instead, money enters as mediator between them. Each commodity exchange therefore divides into two phases: the transformation of a commodity into money (sale) and the transformation of money to (another) commodity (purchase).

$$\text{COMMODITY} \rightarrow (\text{sale}) \rightarrow \text{MONEY} \rightarrow (\text{purchase}) \rightarrow \text{COMMODITY}$$

$$(C \rightarrow M \rightarrow C)$$

Commodity exchange as mediated by money is henceforth called *circulation*. Those who enter the exchange process do not anymore need to consume each other's products. Instead one commodity owner finds anyone who needs his commodity and is willing and able to pay money for it. The weaver for instance finds somebody who pays money for his 10 yards of linen. With the money he gets, he goes around on the market and finds others who sell their goods for his money, so that he can acquire the coat he needed. Sale and purchase can thus be split both in time and place, and it is also possible to make several different smaller purchases with the money one gets from selling something. Exchanges become much more dynamic and diverse.

The owners of commodities therefore find out that the same division of labour which turns them into independent private producers also makes the social process of production and the relations of the individual producers to each other within that process independent of the producers themselves; they also find out that the independence of the individuals from each other has as its counterpart and supplement a system of all-round material dependence.³⁸

Coins and paper money are the main means of circulation. The latter has no intrinsic value, but originally represented the value of a certain amount of gold and was supposed to circulate in its place. As long as people trusted the validity of a currency, this system could work. If that trust gets lost, people will try and get rid of paper money and instead invest in 'real' values, such as gold, which then makes paper money worthless. At a later point in history, the nations who issue money have left this historical basing of money value in gold, and this all also has to do with the phenomenon of inflation, which complicates all this even further. This falls outside the scope of this analysis of the essential basics of commodity production, but Marx is careful to point out that already the circulation process in its basic form contains the seeds of the economic crises that repeatedly disrupt capitalist society.

Circulation bursts through all the temporal, spatial and personal barriers imposed by the direct exchange of products, and it does this by splitting up

the direct identity present in this case between the exchange of one's own product and the acquisition of someone else's into the two antithetical segments of sale and purchase. To say that these mutually independent and antithetical processes form an internal unity is to say also that their internal unity moves forward through external antitheses. These two processes lack internal independence because they complement each other. Hence, if the assertion of their external independence [*äusserliche Verselbständigung*] proceeds to a certain critical point, their unity violently makes itself felt by producing – a crisis. There is an antithesis, immanent in the commodity, between use-value and value, between private labour which must simultaneously manifest itself as directly social labour, and a particular concrete kind of labour which simultaneously counts as merely abstract universal labour, between the conversion of things into persons and the conversion of persons into things; the antithetical phases of the metamorphosis of the commodity are the developed forms of motion of this immanent contradiction. These forms therefore imply the possibility of crises, though no more than the possibility.³⁹

Yet another function of money is as *means of saving*. Those who sell commodities without immediately spending the money they get can save them. The circuit $C \rightarrow M \rightarrow C$ is then interrupted after $C \rightarrow M$, and the money stays with the seller. This at once changes the purpose of the exchange. The commodity producer then no longer exchanges his products (that do not satisfy his own needs) for other commodities (that do). Instead, he just aims for appropriating the value of these commodities and to increase that value.

This requires that money retains its value in the foreseeable future and that it can always be exchanged for something else later on. Gold and paper money share those characteristics: they are sustainable, have a relatively constant value and may always be exchanged for other commodities.

But why can money become the primary goal and purpose in commodity-producing societies? Why do people save money instead of using it at once? The social division of labour implies that each producer just makes one or a few different commodities, while his needs are much more differentiated. Also, these needs are endlessly recreated, while his production and sale of commodities take time and may be of shifting success. He must be able to acquire goods needed for survival even in periods where he does not quite manage to sell his own products. In such situations, savings are an invaluable necessity.

There is no definite limit where saving is no longer rational but becomes excessive or neurotic. Saving is in principle unlimited process. Each sum of money can always be further increased – and in a way it must be thus increased, if one is to be sure of never being without money again. Marx presented the inner contradictions and futility of saving in the following terms:

The hoarding drive is boundless in its nature. Qualitatively or formally considered, money is independent of all limits, that is it is the universal

representative of material wealth because it is directly convertible into any other commodity. But at the same time every actual sum of money is limited in amount, and therefore has only a limited efficacy as a means of purchase. This contradiction between the quantitative limitation and the qualitative lack of limitation of money keeps driving the hoarder back to his Sisyphean task: accumulation. He is in the same situation as a world conqueror, who discovers a new boundary with each country he annexes.

In order that gold may be held as money, and made to form a hoard, it must be prevented from circulating, or from dissolving into the means of purchasing enjoyment. The hoarder therefore sacrifices the lusts of his flesh to the fetish of gold. He takes the gospel of abstinence very seriously. On the other hand, he cannot withdraw any more from circulation, in the shape of money, than he has thrown into it, in the shape of commodities. The more he produces, the more he can sell. Work, thrift and greed are therefore his three cardinal virtues, and to sell much and buy little is the sum of his political economy.⁴⁰

By reducing his needs, working much and consuming little, the commodity producer can sell many commodities and save much money. But even so, his wealth can never be very big, as long as the source of his riches remains limited to his own labour-power. A truly unlimited and enormous growth of accumulated values is possible first when a producer is able to make use of many labour-powers, i.e. through the transformation of money into capital that will be traced in the next chapter.

Commodity fetishism

'Fetish' is a word Marx borrowed from social anthropology's analysis of religion. So-called primitive peoples do not fully recognise that the success in hunting or farming is largely dependent on their own performance as a social collective. Instead, they ascribe these inherently social capacities to some kind of supra-human agency. They try to affect nature by honouring their own social networks symbolically transformed into gods. Their own social activities are thereby given magical capabilities and they project these capabilities onto lifeless things that are seen as fetishes.

Marx finds a similar mechanism at work in commodity-producing society, in that human products seem to acquire supra-natural traits. This means that magic beliefs previously nourished by religion are in modern, enlightened times not abolished but rather transferred to the economic sphere.

Some kind of social division of labour is needed in all developed societies. In feudal societies, personal dependency relations are the basis of social order. Serfs are dependent on masters and forced to do a certain amount of work for them. It is then possible for everybody to experience the relations of production, since the subordination of the serfs under the ruling classes appears as the personal dependency that it actually is.

However, in commodity production, where division of labour is also combined with private ownership of the means of production, the immediate unity of individual and societal labour is dissolved. Private ownership makes all producers work in splendid isolation. Each producer has no idea what commodities, how much and how fast other producers have produced. When these different products are first exchanged on the market, it will become clear if their individual and private labour efforts correspond to socially necessary labour or not. Producers are usually not consciously aware of this, but they depend on that mechanism and must act accordingly.

In exchange societies of commodity production, citizens are at the same time both individualised by private property and dependent on each other through the division of labour. Social relations are based on the exchange of goods on a market, thereby tending to be instrumental and indifferent to qualitative aspects, focusing mainly on how others may offer useful labour products in exchange for one's own.

Since the producers do not come into social contact until they exchange the products of their labour, the specific social characteristics of their private labours appear only within this exchange. In other words, the labour of the private individual manifests itself as an element of the total labour of society only through the relations which the act of exchange establishes between the products, and, through their mediation, between the producers. To the producers, therefore, the social relations between their private labours appear as what they are, i.e. they do not appear as direct social relations between persons in their work, but rather as material [*dinglich*] relations between persons and social relations between things.⁴¹

The fetishism of commodities is found already in the elementary form of value, long before the introduction of money. In comparing 10 yards of linen to one coat, the coat gets the role of expressing the value of the linen. In real exchange, only use-values interact, and therefore the value of a commodity can only be expressed in a use-value of another: the value of 10 yards of linen is one coat. A specific amount of a particular use-value (one coat) expresses the value of the linen. The coat can do this only because both the linen and the coat contain socially necessary labour, but this labour is not visible in itself. Instead, the coat appears to be exchangeable just because of its natural qualities as a use-value. The interacting producers thus experience the commodities to be exchangeable because of some secret natural quality. The products of human labour seem to have a life of their own. The things people create develop their own movement and gain power over people. This is what Marx calls the fetishism of commodities.

[By] equating their different products to each other in exchange as values, they equate their different kinds of labour as human labour. They do this without being aware of it. Value, therefore, does not have its description

branded on its forehead; it rather transforms every product into a social hieroglyphic.⁴²

Again, it is a kind of real abstraction that takes place behind the backs of people, leaving them in a state of confused misrecognition where they cannot help but misinterpret what happens in social and economic life, just because of the form in which society is organised.

The commodity form gives rise to a distortion mechanism in social reality, which makes relations between people appear to be relations between material things. This commodity fetishism makes human relations seem to be replaced or governed by relations between things. Social relations take the detour through things, and thereby these things seem to have human or even supra-human capacities. The commodity things appear in themselves to have characteristics (value) that they actually have just because they contain value, as products of abstract labour. And, in reverse, human relations are *reified*, as dead artefacts occupy our living relations. This in turn makes people *alienated* or estranged in their ordinary social world, which is at the same time *naturalised* into a kind of second nature, towards which people tend to be powerless, and where social relations appear as if they were eternal facts of life or natural laws. Instead of interacting as full human beings, in order to survive in capitalism, they just have to play certain economic roles, taking on a *character mask*, for instance as worker or capitalist.

Here the persons exist for one another merely as representatives and hence owners, of commodities. As we proceed to develop our investigation, we shall find, in general, that the economic character masks of persons are merely personifications of economic relations; it is as the bearers of these economic relations that they come into contact with each other.⁴³

Many of these partly interrelated but not synonymous terms were more developed in some of Marx's earlier writings, and later Marxists have used them in shifting ways. A complication is that the German words they translate may have slightly different connotations. For instance, 'reification' stands for the German *Verdinglichung*, making something or someone into a thing, which is more easily comprehensible than the Latinised term used in English. Human production is in one way always an *objectification*, in that living practice results in various kinds of artefacts. But reification means more than this: it signifies that these products are separated (distanced) from the social processes out of which they emerge and seem to be independent beings. Reification thus implies a kind of distortion of consciousness, so that the social actors themselves falsely tend to believe that, for instance, commodities have value in and by themselves, rather than as an effect of the social relations between producers.

Likewise, 'alienation' translates *Verfremdung*, i.e. estrangement, or the process of making someone or something strange, unfamiliar or alien. In the English edition of *Capital*, 'alienation' is mainly used instead for what Marx called

Veräußerung, making something external (related to objectification), in the way that a commodity makes its value external by referring to a price in money, or a worker or artist manifests himself in some piece of work outside himself. This certainly has clear links to what the young Marx often thematised as a more existential alienation whereby especially workers, due to the lack of power over their conditions of labour, would feel estranged from the organisation of production and of social life in general. In his *Economic and Philosophical Manuscripts* from 1844, Marx identified four types of alienation of labour in capitalism, whereby the worker was alienated (separated) from the product of his labour (since the resulting commodities belong to the capitalist), from the act of producing (as this is organised by those who own the means of production), from himself as producer (since he has lost control over his own life) and from other workers (through the competitive labour market that tends to block collective solidarity).⁴⁴ But it should always be remembered that, from *Grundrisse* to *Capital* and other ripe works, Marx generally strove to anchor any psychological arguments in material analyses of the ways in which social practices shape relations between people and production processes.

In all his work, Marx took great care to analyse the dialectical interface between social relations (from a personal micro-level of the individual's everyday life to the societal macro-level of class struggles), things (nature and artefacts) and human understandings (meanings, ideas and ideologies). It was characteristic for his materialist outlook that he never got tired of emphasising how the social practices were the primary agent in these interactions, but he also showed in several steps how capitalist societies systematically distorted this social fact and made relations appear as if either material objects (here: commodities) or mental ideas were autonomous sources of various kinds of productivity. This materialist impulse, combined with a wish to understand how it comes about that things and ideas today rule the world, makes necessary the complex route taken in *Capital*. It partly also explains some of the ambiguities of the concepts related to commodity fetishism. On one hand, Marx is true to his basic viewpoint and regards fetishism, alienation and reification as real practices rather than as inner, mental imaginations.

Commodity fetishism is even more increased when the linen is no longer directly swapped for the coat, but when society has become used to change commodities for *money*. A specific metal or piece of paper then seems to have the magical capacity to buy any commodity, and these money forms seem to have that capacity precisely as use-values, as just a piece of metal or a paper. It remains hidden that money is simply the general equivalent – a manifestation of abstract human labour – and that sales and purchases with money are nothing but a social relation between individual commodity producers. As they do not produce together they have to chase around competing for money, all apparently mutually independent but all dependent on money. 'Money makes the world go round'!

The movement through which this process has been mediated vanishes in its own result, leaving no trace behind. Without any initiative on their

part, the commodities find their own value-configuration ready to hand, in the form of a physical commodity existing outside but also alongside them. This physical object, gold or silver in its crude state, becomes, immediately on its emergence from the bowels of the earth, the direct incarnation of all human labour. Hence the magic of money. Men are henceforth related to each other in their social process of production in a purely atomistic way. Their own relations of production therefore assume a material shape which is independent of their control and their conscious individual action. This situation is manifested first by the fact that the products of men's labour universally take on the form of commodities. The riddle of the money fetish is therefore the riddle of the commodity fetish, now become visible and dazzling to our eyes.⁴⁵

Owning their own means of production, all producers make plans just for themselves and must produce for an erratic and anonymous market. Their own products stand before them as an alien power on the market. The exchange process appears as if it was a process between commodities, a relation between things, while their interrelations actually are manifestations of the mutual relations between producing human beings. Commodity exchange conceals their mutual dependency. It is no longer a personal dependency that can easily be experienced as such, as once between the serf and the feudal landowner.

The owners of commodities therefore find out that the same division of labour which turns them into independent private producers also makes the social process of production and the relations of the individual producers to each other within that process independent of the producers themselves; they also find out that the independence of the individuals from each other has as its counterpart and supplement a system of all-round material dependence.⁴⁶

The same transformation of social relations between people into relations between things is even more obvious in fully developed capitalist commodity production as it is in the elementary form discussed so far. When capitalists own the means of production and the workers only their labour-power, this fetish character of commodities and of money appears in increasingly developed forms:

- 1 *Commodity fetishism* thus means that, in commodities as elementary exchange-values, social relations are experienced as qualities in things.
- 2 *Money fetishism* means that, in money as autonomous exchange-value, it appears as a thing that is differentiated from the rest of the commodity world.
- 3 *Capital fetishism* implies that, in capital – being exchange-value in continual process – social relations appear as things that produce more things more or less by themselves. This will be further discussed in a following chapter.

To the producers themselves, the economic relations appear distorted: 'Their own movement within society has for them the form of a movement made by things, and these things, far from being under their control, in fact control them'. Considerable critical efforts are needed to break this spell:

Reflection on the forms of human life, hence also scientific analysis of those forms, takes a course directly opposite to their real development. Reflection begins *post festum* [after the events have already happened], and therefore with the results of the process of development ready to hand. The forms which stamp products as commodities and which are therefore the preliminary requirements for the circulation of commodities, already possess the fixed quality of natural forms of social life before man seeks to give an account, not of their historical character, for in his eyes they are immutable, but of their content and meaning. Consequently, it was solely the analysis of the prices of commodities which led to the determination of the magnitude of value, and solely the common expression of all commodities in money which led to the establishment of their character as values. It is however precisely this finished form of the world of commodities – the money form – which conceals the social character of private labour and the social relations between the individual workers, by making those relations appear as relations between material objects, instead of revealing them plainly.⁴⁷

Things were different before capitalism: 'The whole mystery of commodities, all the magic and necromancy that surrounds the products of labour on the basis of commodity production, vanishes therefore as soon as we come to other forms of production'.⁴⁸ Once established, however, the fetishism of commodities cannot disappear until society is reorganised into some kind of community of free social producers, beyond commodity production. Then, people interact not as exchanging producers but as associate individuals.

Let us finally imagine, for a change, an association of free men, working with the means of production held in common, and expending their many different forms of labour-power in full self-awareness as one single social labour force. [...] The social relations of the individual producers, both towards their labour and the products of their labour, are here transparent in their simplicity, in production as well as in distribution.⁴⁹

Various forms of fetishism are materially anchored distorting mirrors of the dominant social relations in a certain epoch. In this way, commodity fetishism is a kind of capitalist religion.

The religious reflections of the real world can, in any case, vanish only when the practical relations of everyday life between man and man, and man and nature, generally present themselves to him in a transparent and rational

form. The veil is not removed from the countenance of the social life-process, i.e. the process of material production, until it becomes production by freely associated men, and stands under their conscious and planned control. This, however, requires that society possess a material foundation, or a series of material conditions of existence, which in their turn are the natural and spontaneous product of a long and tormented historical development.⁵⁰

Notes

- 1 Marx (1867/1978).
- 2 Marx elaborates on this in *Grundrisse* (Marx, [1858]1939/1993). This volume is hereafter cited as *Grundrisse*.
- 3 *Capital I*: 125 (Chapter 1; Marx cites himself in Marx (1859/1970)).
- 4 *Capital I*: 178 (Chapter 2).
- 5 *Grundrisse*: 156.
- 6 *Capital I*: 132 (Chapter 1).
- 7 *Capital I*: 209 (Chapter 3, note 24).
- 8 *Capital I*: 125 (Chapter 1).
- 9 *Capital I*: 126 (Chapter 1).
- 10 *Capital I*: 126 (Chapter 1).
- 11 *Capital I*: 128 (Chapter 1).
- 12 *Capital I*: 128–129 (Chapter 1).
- 13 *Capital I*: 131 (Chapter 1; parenthesis inserted by Engels).
- 14 *Capital I*: 133–134 (Chapter 1).
- 15 *Capital I*: 131–132 (Chapter 1).
- 16 *Capital I*: 137 (Chapter 1).
- 17 *Capital I*: 129 (Chapter 1).
- 18 The argument around supply and demand is inspired by Broady (1976: 37–41) and Rosdolsky (1968/1977).
- 19 *Capital I*: 142 (Chapter 1).
- 20 *Capital I*: 138–139 (Chapter 1).
- 21 *Capital I*: 139 (Chapter 1).
- 22 *Capital I*: 142–143 (Chapter 1).
- 23 *Capital I*: 144 (Chapter 1).
- 24 *Capital I*: 148 (Chapter 1).
- 25 *Capital I*: 150 (Chapter 1).
- 26 *Capital I*: 151 (Chapter 1; translation corrected).
- 27 *Capital I*: 152 (Chapter 1).
- 28 *Capital I*: 153 (Chapter 1).
- 29 *Capital I*: 179 (Chapter 2).
- 30 *Capital I*: 162 (Chapter 1).
- 31 *Capital I*: 181 (Chapter 2).
- 32 *Capital I*: 182 (Chapter 2).
- 33 *Capital I*: 198 (Chapter 3).
- 34 *Capital I*: 188 (Chapter 3).
- 35 *Capital I*: 189 (Chapter 3).
- 36 *Capital I*: 195–196 (Chapter 3).
- 37 *Capital I*: 196 (Chapter 3).
- 38 *Capital I*: 202–203 (Chapter 3).
- 39 *Capital I*: 209 (Chapter 3).
- 40 *Capital I*: 230–231 (Chapter 3).

- 41 *Capital I*: 165–166 (Chapter 1).
- 42 *Capital I*: 166–167 (Chapter 1).
- 43 *Capital I*: 178–179 (Chapter 2; translation corrected).
- 44 Marx (1844/1959).
- 45 *Capital I*: 187 (Chapter 2).
- 46 *Capital I*: 202–203 (Chapter 3).
- 47 *Capital I*: 168–169 (Chapter 1).
- 48 *Capital I*: 169 (Chapter 1).
- 49 *Capital I*: 171–172 (Chapter 1).
- 50 *Capital I*: 173 (Chapter 1).

4 From money to capital

The second part of *Capital* Volume I is devoted to the transformation of money into capital. In the English edition, it is divided into three (Chapters 4–6), moving from the ‘general formula’ of capital through its inner contradiction and ending with the buying and selling of labour-power.¹ Marx begins with a general principle of capital that first seems almost like a nonsensical fantasy of automatic value-growth, but is then able to show that this fantasy is made real through the invention of a very special kind of commodity that is able to increase values in the hands of its owners.

Marx begins by neatly summarising first the historical and then the logical starting-point of capital:

The circulation of commodities is the starting-point of capital. The production of commodities and their circulation in its developed form, namely trade, form the historical presuppositions under which capital arises. World trade and the work market date from the sixteenth century, and from then on the modern history of capital starts to unfold.

If we disregard the material content of the circulation of commodities, i.e. the exchange of the various use-values, and consider only the economic forms brought into being by this process, we find that its ultimate product is money. This ultimate product of commodity circulation is the first form of appearance of capital.²

In a striking formulation, he then also offers an argument for continuing with his logical presentation, rather than the historical mode of narrative: ‘However, we do not need to look back at the history of capital’s origins in order to recognize that money is its first form of appearance. Every day the same story is played out before our eyes’.

Value in process

The previous chapter developed the immediate commodity exchange ($C \rightarrow C$) into the money-mediated exchange model ($C \rightarrow M \rightarrow C$). In this simplest form of the circulation of commodities ($C \rightarrow M \rightarrow C$), a producer exchanges what he has made, which has no use-value for him, against money. For this money, he

buys other commodities that can satisfy his needs and thus have use-value for him. It is now possible for the two phases of sale and purchase to be separated in time and space. The producer who sells his goods without at once buying other stuff at the same value saves a sum of money for which he can later buy something else without selling anything at all. He is now a money-owner, possessing the general commodity of money, which is exchangeable for any other commodity – but only until he spends this money on paying for something. The money-owner therefore cannot get more money out of the money he already has: saving pulls values out of the exchange process of sales and purchases. But when he spends his money on new commodities ($M \rightarrow C$), this may not only be regarded as the end of one process but also as the beginning of a new one ($C \rightarrow M$), so that the circulation of money can be understood through the formula $M \rightarrow C \rightarrow M$.

This new formula may seem to be just a meaningless game, since the money-owner at the end ideally has the same amount of money as at the beginning and has also not acquired any use-value to meet his needs. He has just risked losing his money on the unreliable market. However, a crucial step is taken with this 'transformation of money into commodities, and the re-conversion of commodities into money; buying in order to sell. Money which describes the latter course in its movement is transformed into capital, and, from the point of view of its function, already is capital'.³

Both these circuits ($C \rightarrow M \rightarrow C$ and $M \rightarrow C \rightarrow M$) are resolvable into the same two antithetical phases: a sale ($C \rightarrow M$) and a purchase ($M \rightarrow C$). The same values are exchanged in each of these phases. Both circuits involve the same material elements (a commodity and money) and the same social agents (a buyer and a seller). And both involve 'three participants in a contract, of whom one only sells, another only buys and the third both buys and sells'.⁴

What primarily distinguishes the two circuits is the inverted order of their two phases. One starts and ends with commodities (with money as medium), the other with money (with a commodity as the mediating term). The end and aim of the first is use-value, consumption and need satisfaction, whereas the motive and goal of the second is exchange-value itself.

The only way in which the latter circuit could have any meaning and purpose is if the end result is different from the beginning. When both consist of money, there is no qualitative difference, so there must be a quantitative one: 'One sum of money is distinguishable from another only by its amount'.⁵ The aim of the circuit must be not to acquire a use-value but to acquire money, as the general equivalent of exchange-value, and this requires that there is *more* money at the end than at the beginning, so that the movement is from money to more money. If more money can be withdrawn from circulation than was thrown in at the start, then the form of the process becomes $M \rightarrow C \rightarrow M'$, where M' is larger than M , or the initial sum plus an increment.

This increment or excess over the original value I call 'surplus-value'. The value originally advanced, therefore, not only remains intact while in

circulation, but increases its magnitude, adds to itself a surplus-value, or is valorized [*verwertet sich*]. And this movement converts it into capital.⁶

In this way, capital is born as a kind of mobile combination of money and commodity values.

The simple circulation of commodities – selling in order to buy – is a means to a final goal which lies outside circulation, namely the appropriation of use-values, the satisfaction of needs. As against this, the circulation of money as capital is an end in itself, for the valorization of value takes place only within this constantly renewed movement. The movement of capital is therefore limitless.⁷

The greater the quantitative difference between beginning and end, the more meaningful would the $M \rightarrow C \rightarrow M'$ circuit be.

In truth, however, value is here the subject of a process in which, while constantly assuming the form in turn of money and commodities, it changes its own magnitude, throws off surplus-value from itself considered as original value, and thus valorizes itself independently. For the movement in the course of which it adds surplus-value is its own movement, its valorization is therefore self-valorization [*Selbstverwertung*]. By virtue of being value, it has acquired the occult ability to add value to itself. It brings forth living offspring, or at least lays golden eggs.⁸

This may sound almost crazy and, in a way, capital is a very weird phenomenon. It is a kind of expansion machine of a very dynamic kind: ‘Value therefore now becomes value in process, money in process, and, as such, capital’.⁹ But how can this ever be done in practice, not just as a fantasy of ever-growing wealth? Marx devotes considerable space to formulating the paradox of how to make money grow on the basis of pure commodity exchange. With a clever sense of dramaturgy, he builds a narrative mercilessly leading to an apparent aporia, an enigmatic contradiction without solution, and then suddenly the magic trick is performed that solves the problem and explains how capitalist surplus-value after all can emerge.

If only equal values are always exchanged, then $M \rightarrow C \rightarrow M'$ is impossible. There can then be no surplus-value. Still, capitalist firms do succeed in making profits, seemingly without having to break any economic laws.

One explanation that is sometimes suggested is that the commodity producer simply sells his goods for instance 10 per cent above their value. But all commodity producers need profits and would thus need to do the same. If producer A sells his commodities to producer B, then B pays 10 per cent more than they are worth, but also sell his products for 10 per cent more than their value. In that way, he makes up for his initial loss, but will not get any surplus-value at the end. Producer A also in his next step loses what he initially gained. If all

owners sell their commodities at 10 per cent above their values, prices will rise but the mutual value relations will remain constant. In this way, it is not possible to explain how commodity producers in general can gain any surplus-value.

Selling commodities 10 per cent below their values is also no solution. The buyer would in this case gain a profit but, in order to buy cheaply, he would first need to sell his own products 10 per cent below their value and thus as seller lose the 10 per cent that he would then regain as buyer, which makes no difference. Selling commodities above or below values can only help some individual producers, but their profit will then be a kind of fraud against their trading partners who have to pay more money for a commodity than its value. Such fraud may certainly sometimes happen, but it cannot explain the creation of surplus-value in general. What one gains, another will lose. The total social wealth will not grow by such business. What may change is the distribution of wealth, but no new value can emerge by such transactions. 'However much we twist and turn, the final conclusion remains the same. If equivalents are exchanged, no surplus-value results, and if non-equivalents are exchanged, we still have no surplus-value. Circulation, or the exchange of commodities, creates no value'.¹⁰

This indicates that merchants' capital and money-lenders' capital cannot be the logical foundation that determines the economic organisation of modern society. They are ancient forms of capital, and they do grow, but only in a quasi-parasitic manner, drawing their profits from pre-capitalist value-production. Their mode of valorisation cannot serve as a general foundation for a whole society. 'Capital cannot therefore arise from circulation, and it is equally impossible for it to arise apart from circulation. It must have its origin both in circulation and not in circulation'.¹¹

The conversion of money into capital has to be explained on the basis of the laws that regulate the exchange of commodities as an exchange of equivalents. The money-owner who wants to become a capitalist must find a way to buy and sell commodities at their value and yet at the end of the process withdraw more value from circulation than he threw into it at starting.

The money-owner, who is as yet only a capitalist in larval form, must buy his commodities at their value, sell them at their value, and yet at the end of the process withdraw more value from circulation than he threw into it at the beginning. His emergence as a butterfly must, and yet must not, take place in the sphere of circulation. These are the conditions of the problem. *Hic Rhodus, hic salta!*¹²

This Latin phrase alludes to Aesop's fable where an athlete brags that he once made an enormous jump on the island of Rhodes and is then challenged to stop boasting and instead just repeat his accomplishment on the spot: 'Here is Rhodes, jump here!' The transition from money to capital needs a similar factual proof, and it is now to be delivered.

Labour-power

Creating new value from commodities and money thus presents an enigma, but there is a solution. If a money-owner buys commodities at their true values to then again sell commodities at their values, and still has more value at the end of the process than spent at the beginning, then some kind of value must have been added without paying for it inside the $M \rightarrow C \rightarrow M'$ circuit. The change of value of the money that is intended to be converted into capital cannot derive from the money itself, since it only represents a fixed sum of commodity value at both ends of the circuit. No surplus-value can be produced in the exchange process. The value of money or of ordinary commodities cannot grow spontaneously, since labour is the only source of value. Value-growth must instead be located in the commodity C that was bought in the first act. It cannot come from the value of this commodity, since values do not change in the exchange of equivalents, and the commodity is paid for at its true value. But can there be some special commodity whose use-value, that is, its consumption, can be a source of new value? There is such a commodity, namely, *labour-power*.

The change can therefore originate only in the actual use-value of the commodity, i.e. in its consumption. In order to extract value out of the consumption of a commodity, our friend the money-owner must be lucky enough to find within the sphere of circulation, on the market, a commodity whose use-value possesses the peculiar property of being a source of value, whose actual consumption is therefore itself an objectification [*Vergegenständlichung*] of labour, hence a creation of value. The possessor of money does find such a special commodity on the market: the capacity for labour [*Arbeitsvermögen*], in other words labour-power [*Arbeitskraft*].

We mean by labour-power, or labour-capacity, the aggregate of those mental and physical capabilities existing in the physical form, the living personality, of a human being, capabilities which he sets in motion whenever he produces a use-value of any kind.¹³

The money-owner is transformed into a capitalist through buying and using this particular value-making commodity of labour-power. He can only consume the use-value of labour-power by using this labour-power, that is, by letting its carrier (the worker) work. The use-value of labour-power can only be labour itself, in the production of commodities. Labour-power is consumed by being set in motion as the worker works. But how can labour-power become a commodity in the first place, and how is the value of this very special commodity – which is capable of creating new value and surplus-value – determined?

First, there are a couple of crucial conditions for the existence of this specific commodity. Historically, human labour-power was not always a commodity, and even in the abstract model of simple commodity production discussed so far, everyone was supposed to be an independent private producer who made goods for exchange on the market, for which he needed tools, raw materials

and his own labour-power. The latter was then no commodity, for it was not sold or bought, but used by its original owner, who could only use it for himself, as long as he also possessed the necessary means of production.

In order for the individual to be able to sell his labour-power, he must have it at his disposal. Serfs and slaves in ancient and medieval times did not have that formal right. The worker of capitalism must be a formally free citizen who undisputedly owns his capacity for labour, i.e. his own person. If he sold it once and for all, he would convert himself from a free citizen to a slave, from an owner of a commodity into a commodity. Instead, he must continue to own his labour-power and place it at the disposal of the buyer only temporarily, for a definite period of time.

Another, equally important condition is that the worker cannot survive on selling his own products but must be obliged to offer for sale as a commodity his very labour-power, which exists only in his living self. In order for that to be the case, he must be deprived of his necessary means of producing commodities, so that he is forced to sell his labour-power to somebody who owns means of production and therefore is able to use that labour-power.

In order for capital to emerge, money-owners must thus be able to buy labour-power as a commodity, which in turn requires that the worker is *doubly free*:

For the transformation of money into capital, therefore, the owner of money must find the free worker available on the commodity-market; and this worker must be free in the double sense that as a free individual he can dispose of his labour-power as his own commodity, and that, on the other hand, he has no other commodity for sale, i.e. he is rid of them, he is free of all the objects needed for the realization [*Verwirklichung*] of his labour-power.¹⁴

Both the freedom to dispose of his own labour-power and the freedom from (or non-owning of) means of production result from long and complex historical processes. Marx offers a vivid description of this so-called 'primitive accumulation' at the very end of *Capital* Volume I. Let it suffice here to point at the growth of urban markets and money economies linked to the simple commodity circulation. In the rural areas, this led to the abolition of serfdom in farming, since the old daywork system was replaced by monetary duties. The monetarisation of commodity circulation simultaneously also divorced poor farmers from their property and land, as they were unable to fulfil their payments to the feudal landowners. Farmers were thrown out of their small land pieces and, thus dispossessed of their means of production, they sought refuge in cities, where they could make a living by selling their labour-power and thus became the first modern, wage-labouring proletariat.

The birth of capitalism therefore had two sides. On one hand, people were liberated from the inequality and oppression of serfdom. This paved the way for making all people free and in principal equal citizens. But, at the same stroke, they were also deprived of the basis of survival and forced to sell not themselves (as slaves), but their labour-power, as a commodity, to those who had the

means of production at their disposal, the capitalists. The workers had entered a new world, with a new, more hidden, but no less brutal form of exploitation, where massive subordination is hidden behind a surface of formal equality and freedom.

Marx repeatedly insists that there exists no such thing as the value of labour.¹⁵ Value is the amount of necessary labour crystallised in a commodity, but speaking of the value of for instance a 10-hour working day would not make sense at all, as it would be a nonsensical tautology to define the value of a 10-hour working day as equal to 10 hours' labour. It is labour-power, the capacity for working, not labour itself, which in capitalism has become a commodity with value. This distinction has repercussions for capitalist ideology but, as it relates to the issue of wages, it will be further discussed in a later chapter.

It is now high time to approach the second question posed above, that of how to determine the commodity value of labour-power. Like all other things that are turned into commodities, it is exchanged for money of equal value on a market. All commodities are both use-values (linked to concrete, specific and observable qualities) and values (related to comparison and exchange with other commodities). The value of a commodity is determined by the labour-time that is socially necessary to produce it. This is also true for the commodity of labour-power, whose value is thus also determined by the socially necessary labour-time required producing and reproducing it.

However, labour-power cannot be divorced from its carrier, and the perpetuation of labour-power therefore demands the production and reproduction of the worker himself. In order to survive, a worker must dispose of a definite quantity of the means of subsistence. The labour-time needed to produce these means of subsistence is therefore necessary to sustain the worker consuming them. And the value of these means of subsistence is determined by the labour-time needed to produce them. Thus, 'the value of labour-power is the value of the means of subsistence necessary for the maintenance of its owner'.¹⁶

'Some of the means of subsistence, such as food and fuel, are consumed every day, and must therefore be replaced every day. Others, such as clothes and furniture, last for longer periods and need to be replaced only at longer intervals'.¹⁷ Together, these means of subsistence must suffice not only to keep the worker alive above a poverty level, but also to keep him capable of working for the full length of life. According to Marx, necessary means of subsistence are not just basic food, but also include means for living a decent life, including for instance leisure activities, education and sustenance of a whole family.

The use-value of labour-power as a commodity is thus its capacity within the labour process for creating larger values than itself. Its value is determined by the value of those means of existence that are necessary for satisfying the worker's needs enough to let him reproduce his labour-power – and secure its continuation by future generations – at a normal level of existence. The use-value of labour-power is intrinsically bound to living human beings who are also legally, politically and formally free and independent citizens in a society that poses certain demands. They therefore do not just need food, clothing and housing, but

also a minimum degree of education and other social, cultural, intellectual, sexual and other less tangible resources that are generally experienced as normal and necessary for living in modern society. Provision for the worker's family is to some degree also included, covering food and education for children, so that they can become wage-labourers in the next generation. What counts as necessary means of existence is never permanently fixed but always a matter of negotiation and contestation.

What is deemed socially necessary tends to grow over time as wealth and welfare expands, and as more skills are needed to execute increasingly complex labour. It can for instance be noted that the subsistence level mostly rises from year to year. In the 1950s for instance, television sets were generally regarded as a non-necessary luxury, whereas they are today seen as a necessary minimal part of ordinary life, which for example cannot be seized by bailiffs since they belong to the things usually seen as compulsory for participating in normal social life. While this rising living standard tends to increase the value of labour-power, this is on the other hand balanced by a pressure downwards through the rationalisation of all commodity production, including that of precisely those means of subsistence that add to the value of labour-power.

What is included in these necessary means of subsistence is not given once and for all, but varies across time and space. It depends on how the relations of production construct social classes and is not just a matter of technical or physical factors, but an object of social struggle. Capital wishes to keep this value as low as possible, so that the value of labour-power is minimised and salaries may be kept low. Workers on the other hand naturally want to increase the value of their labour-power, by insisting on the necessity of a wider range of use-values (and thus also values) for living a life that lets them reproduce this labour-power of a decent quality and on a regular and steady basis. The development of productive forces is one element affecting the necessary means of subsistence, but the class struggle between capitalists and workers is thus also involved.

In spite of any historical progress in class struggle, capital continues to put firm pressure on how much workers may consume, and they can never decide this by themselves. Not only is the amount of workers' consumption (and thus the value of labour-power) limited by the need for capitalists to continue producing profits for themselves, but also the kinds of commodities available for consumption are limited by what capitalists, who control the production processes, find suitable to produce. The reproduction of labour-power aims at keeping workers useful in capitalist production. For instance, even if whole generations would prefer to play music or computer games, if this production demands engineers, the education system must provide them. Those workers who have to perform tiresome routine labour in factories will need certain amounts of consumer goods in order to keep in balance and shape for continuing working the next day, month and year. There is also an ongoing struggle around how to shape the content of media and cultural commodities so that they do not contradict the necessity for capitalism of reproducing labour-power. The whole consumption process is thus also an area of class

struggle and no automatic mechanism that in any neutral way serves to just sustain workers physically. This connects to the initial formulation at the beginning of Chapter 1, where Marx stated that use-values correspond to both physical and mental needs.

His natural needs, such as food, clothing, fuel and housing vary according to the climatic and other physical peculiarities of his country. On the other hand, the number and extent of his so-called necessary requirements, as also the manner in which they are satisfied, are themselves products of history, and depend therefore to a great extent on the level of civilization attained by a country; in particular they depend on the conditions in which, and consequently on the habits and expectations with which, the class of free workers has been formed. In contrast, therefore, with the case of other commodities, the determination of the value of labour-power contains a historical and moral element. Nevertheless, in a given country at a given period, the average amount of the means of subsistence necessary for the worker is a known *datum*.¹⁸

The value of labour-power is determined by the societal average value of those commodities that meet the necessary needs of the working class. As equal values are exchanged in the circulation process, the capitalist must on average pay the labour-power at its true value, whether this payment is made in advance or retroactively. The rate of exchange is in any case decided in advance, when signing an employment contract. The value of labour-power is based on that of the means of subsistence needed to keep the worker alive for a specific period of time and it is known in advance. When the worker has been paid his salary, that is the true value of his labour-power – the living labour itself – then this labour-power belongs to the capitalist who bought it. This capitalist can then decide how much the worker shall work and therefore how much new value he shall produce by that labour.

The ultimate or minimum limit of the value of labour-power is formed by the value of the commodities which have to be supplied every day to the bearer of labour-power, the man, so that he can renew his life-process. That is to say, the limit is formed by the value of the physically indispensable means of subsistence. If the price of labour-power falls to this minimum, it falls below its value, since under such circumstances it can be maintained and developed only in a crippled state, and the value of every commodity is determined by the labour-time required to provide it in its normal quality.¹⁹

The value of labour-power appears in the form of its price, that is, the wage. It is determined by the cost (measured in labour-time) of its reproduction. It has nothing at all to do with the use-value of labour-power, which is the living practice of labour itself. The possibility of surplus springs precisely from this

intrinsic difference, as will be shown in the next chapter, since it is in the production process that this creation of new value takes place.

It appears as if the worker gets paid for the actual work they perform, whether time or piece-wages are used. There are thus still difficult questions to resolve, in order to fully understand how capitalist profits can be made by the use of labour-power as a commodity. It will be shown that this idea that workers get paid for the result of their work is a false appearance, as it actually is not the work result but the capacity to work that is sold and used by the capitalist to create surplus-value. How this is done is the subject of the following chapter.

There is a time-dimension hidden in these concepts, in that (1) *labour-power* may be seen as potential future labour; (2) *labour* as current living labour; and (3) *value* as past and materialised or 'dead' labour.²⁰ This should be noted at this point, but will be further developed later on.

It is crucial to keep in mind on which level of abstraction the presentation moves. This chapter began where the previous one ended: on the level of simple commodity circulation, corresponding to a mode of production called simple commodity production, which has in history only existed in limited pockets of society and can never found a total society, due to its unstoppable inherent tendency to move on to the next step. In this mode of production, there are no capitalists and no wage-labourers, and all commodity producers own their labour-power, their means of production and the products of their labour. But the end of this chapter has transcended one level up to the capitalist mode of production, by introducing wage-labour and labour-power as a very peculiar commodity. This is, again, a move from the abstract and simple to the more concrete and complex. And the abstract foundations are not completely forgotten on the next and higher level, but rather developed and concretised by adding more determinations.

One example is the *law of value* stating that equal values are exchanged and that values are determined by the socially necessary labour-time needed for producing the commodities. This law of value is the basis of simple commodity circulation, but it remains in force also here at the higher level of capitalist production, as the most abstract and general building block. When the worker gets his daily salary, this will exactly cover the value of his labour-power for one day. Equal values are exchanged. And the value of labour-power is determined by the necessary labour-time needed to produce all means of subsistence needed for him and his family to work that day, including not only the goods he needs but also the time for housework (shopping, cooking, washing, cleaning, childcare, etc.).

The first three chapters of *Capital* (summarised in the previous chapter of this book) moved from the inner contradictions of commodity (as use-value + value) and of (concrete + abstract) labour to money (as general equivalent of exchange-values). The next step was decisive, as it lifted us up to a completely new level of abstraction-concretion: to capital in general. This chapter has focused on circulation, where it was shown that values can only be redistributed but never created. From now on, the rest of *Capital* Volume I will deal with the

production process of capital, where surplus-values arise. Volume II and the beginning of Volume III will then continue by presenting the circulation process of capital, before at the end the competition between many capitals again move us up one further step towards the empirical surface of contemporary capitalism. The dramatic ending of this key transitory chapter deserves to be quoted at full length.

Let us therefore, in company with the owner of money and the owner of labour-power, leave this noisy sphere, where everything takes place on the surface and in full view of everyone, and follow them into the hidden abode of production, on whose threshold there hangs the notice 'No admittance except on business'. Here we shall see, not only how capital produces, but how capital is itself produced. The secret of profit-making must at last be laid bare.

The sphere of circulation or commodity exchange, within whose boundaries the sale and purchase of labour-power goes on, is in fact a very Eden of the innate rights of man. It is the exclusive realm of Freedom, Equality, Property and Bentham. Freedom, because both buyer and seller of a commodity, let us say of labour-power, are determined only by their own free will. They contract as free persons, who are equal before the law. Their contract is the final result in which their joint will finds a common legal expression. Equality, because each enters into relation with the other, as with a simple owner of commodities, and they exchange equivalent for equivalent. Property, because each disposes only of what is his own. And Bentham, because each looks only to his own advantage. The only force bringing them together, and putting them into relation with each other, is the selfishness, the gain and the private interest of each. Each pays heed to himself only, and no one worries about the others. And precisely for that reason, either in accordance with the pre-established harmony of things, or under the auspices of an omniscient providence, they all work together to their mutual advantage, for the common weal, and in the common interest.

When we leave this sphere of simple circulation or the exchange of commodities, which provides the 'free-trader *vulgaris*' with his views, his concepts and the standard by which he judges the society of capital and wage-labour, a certain change takes place, or so it appears, in the physiognomy of our *dramatis personae*. He who was previously the money-owner now strides out in front as a capitalist; the possessor of labour-power follows as his worker. The one smirks self-importantly and is intent on business; the other is timid and holds back, like someone who has brought his own hide to market and now has nothing else to expect but – a tanning.²¹

Ideology

Before moving on from simple circulation, the last quotation invites a brief note on ideology, which connects back to the talk of commodity fetishism at

the end of the commodity analysis above.²² There are several ways to understand the concept of ideology. Ideology may be just the system of ideas that people must have about their natural and social world, a kind of general superstructure of symbolic representations of reality. But Marx and later Marxists in the tradition of ideology critique often have a more specific interpretation in mind, in which ideology is seen as a kind of false consciousness that derives not only from massive propaganda but from lived experience in a world that by itself on its surface appears different from how it really and essentially is. The ultimate basis of false consciousness in capitalism is the commodity fetishism from the last chapter, and the formulation above shows how it can now be further specified.

In the citation above, Marx talks of four foundations of bourgeois ideology: (1) *freedom*; (2) *equality*, (3) the right to *private property*; and (4) utilitarianism as the idea that, if everyone cares mainly for his own good, then the result is best for everyone. The English legal philosopher Jeremy Bentham was in many ways progressive for his time, as a champion of welfare and of animal rights. He is one of the founders of the utilitarian school of thought, according to which the greatest happiness of the greatest number of people was a key goal. To Marx, a focus on the individual interest was a cornerstone of capitalist ideology, as it is linked to precisely the way in which markets underpin collective exploitation through adding individual elements of free and equal exchange.

All these four basic ideological cornerstones have their roots in the sphere of circulation. Already in elementary exchange, commodities are exchanged only if they have equal value, and these values depend on the labour invested in producing them. If he so wishes, each owner has full freedom to exchange his own commodity against whatever he wants instead, and there is full equality of value in this exchange. Exchange values are free and equal, and the personalities or needs of their owners do not matter much. 'A worker who buys commodities for 3s. appears to the seller in the same function, in the same equality – in the form of 3s. – as the king who does the same. All distinction between them is extinguished'.²³

The freedom of equality of commodities in elementary exchange is the objective root of all forms of bourgeois ideology, which are no arbitrary lies but interpretations of social reality that are rooted in social practice and daily experience, and penetrate all of capitalist society. These ideological forms are transformed at the transition from simple commodity circulation to the capitalist mode of production, with the emergence of capitalists and the working class.

Simple commodity production and circulation is no pure historical predecessor of capitalism, but rather a kind of core element of it. Marx made that clear in a sketch for *Capital*, the *Urtext* from 1858, where he explicitly noted that the step from elementary commodity circulation to industrial capital is no historical transition, but that the former is rather an abstract moment within the latter.²⁴ Everywhere in our society, commodities are exchanged for money, and in all such transactions, freedom and equality is generally respected – among commodity values, that is. And when workers swap their labour-powers against a salary, they also get paid the full value of what they sell. That commodities

such as labour-power and salary are ‘free’ and ‘equal’ in exchange creates the appearance that also the owners of these commodities (capitalists and workers) are free and equal. But the wage-labourer is really not free: his freedom consists of a freedom *from* means of production and a freedom to choose between selling his labour-power and starve. Also, the relation between wage-labour and capital knows no equality: the labourer gives away all surplus-value to the capitalist without any compensation, as will be shown in the next chapter.

This is how basic forms of ideology function. They are rooted in basic social practices, where they are in some sense true, but as they develop and are applied outside the domain of elementary circulation, they become false, as they then conceal real relations, contradictions and antagonisms. As representations of social reality they are at the same time both true and false and, as guidance for social change, they are also ambiguous, as, on the one hand, they may hide more essential characteristics of the world and, on the other, they may formulate some of the many unfulfilled promises of history and of the dominant order, hinting at germs for transformation yet to be realised.

Notes

- 1 In the German edition, it consisted of one single chapter, which makes chapter numbers diverge between different editions for the rest of Volume I.
- 2 *Capital I*: 247 (Chapter 4).
- 3 *Capital I*: 248 (Chapter 4).
- 4 *Capital I*: 249 (Chapter 4).
- 5 *Capital I*: 251 (Chapter 4).
- 6 *Capital I*: 251–252 (Chapter 4).
- 7 *Capital I*: 253 (Chapter 4).
- 8 *Capital I*: 255 (Chapter 4).
- 9 *Capital I*: 256 (Chapter 4).
- 10 *Capital I*: 266 (Chapter 5).
- 11 *Capital I*: 268 (Chapter 5).
- 12 *Capital I*: 269 (Chapter 5).
- 13 *Capital I*: 270 (Chapter 6).
- 14 *Capital I*: 272–273 (Chapter 6).
- 15 For instance in Marx (1865/1969: Chapters VII–IX).
- 16 *Capital I*: 274 (Chapter 6).
- 17 *Capital I*: 276 (Chapter 6).
- 18 *Capital I*: 275 (Chapter 6).
- 19 *Capital I*: 276–277 (Chapter 6).
- 20 Haug (1974/2005: Chapter VII).
- 21 *Capital I*: 279–280 (Chapter 6).
- 22 This section leans on Lundkvist (1973), Broady (1976: 44–46) and Ricoeur (1986).
- 23 *Grundrisse*: 246.
- 24 Marx (1858/1953).

5 Surplus

The third part of *Capital* (Chapters 7–11 in the English edition) deals with the production of what Marx calls ‘absolute surplus-value’, and in the fourth part (Chapters 12–15) he continues with an analysis of the production of ‘relative surplus-value’. Here, the basic concepts will be scrutinised, corresponding to Chapters 7–12, while the shifting and more concrete forms of organising production will be spared until the next chapter.

This part of the presentation has finally left circulation behind and reached the sphere of production, but still remains far from the actual site of labour in any specific factory. The examples given of weaving and other kinds of productive labour are mere illustrations that should not lead anyone to believe that the deep, abstract level is yet abandoned. For instance, the whole of Volume I of *Capital* focuses on ‘the immediate process of production’, neglecting complications added by what happens after a commodity is actually made, when it has to be stored, distributed, marketed, sold, etc. Marx likewise neglects complications that precede this ‘immediate production’: borrowing money, hiring labourers, buying raw materials and machines, etc. The focus on the ‘direct’ or ‘immediate’ production process explains why Marx spends so much more effort on discussing values compared to use-values. The remainder of this first volume mostly deals with capitalist methods for extracting maximal surplus-value from production, irrespective of which products are made. The important exception is labour-power, whose use-value is here shown to be the crucial key to valorisation. But use-values of many other kinds will again become important later on in the presentation, when Marx for instance discusses the relations between different types of capital.

Labour

How labour-power as a commodity solves the mystery of surplus-value creation will now be explained. The basis must remain constant: that all capitalist commodities have a twofold character of use-value (created by concrete-individual labour) and value (resulting from abstract-general labour). In all modes of production, some form of labour has formed the basis of organising and sustaining societies. ‘It is not what is made but how, and by what instruments of labour,

that distinguishes different economic epochs'.¹ In all societies, each labour process includes specific forms of concrete labour that results in use-values. The elementary factors of the labour-process include: (1) labour itself; (2) the object of that labour, for instance soil, raw materials or semiproducts of various kinds; and (3) its instruments, in the form of tools and machines.² Human labour is an organised combination of these factors, involving both bodily and intellectual faculties. A sense of conscious purpose and imagination is characteristic of human labour:

A spider conducts operations which resemble those of the weaver, and a bee would put many a human architect to shame by the construction of its honeycomb cells. But what distinguishes the worst architect from the best of bees is that the architect builds the cell in his mind before he constructs it in wax.³

The commodification of labour-power opens up a potential gap that the capitalist can utilise, in that the cost of reproducing labour-power (its value measured in reproduction time) may well be considerably lower than its capacity for producing value (in labour-time).

The use of labour-power is labour itself. The purchaser of labour-power consumes it by setting the seller of it to work. By working, the latter becomes in actuality what previously he only was potentially, namely labour-power in action, a worker.⁴

The worker owns no means of production besides his capacity for working, for which he by lack of tools, machines and raw materials has not much use. He therefore instead sells this labour-power to the capitalist and in return gets a salary – a sum of money corresponding to the value of the means of subsistence that is socially necessary to survive and reproduce wage-labour. From that moment, and for the period stipulated in the employment contract, the use-value of his labour-power no longer belongs to himself but to the capitalist, who consumes it, makes use of its use-value, by simply letting the worker work: produce new commodities by combining the raw materials, tools and machines that the capitalist also provides. The product of this production process then also belongs to the capitalist, who sells it on the market. In this manner, the capitalist has transformed his money into a certain amount of commodities of corresponding value (labour-power, raw materials and machines) and, at the end of the production process, he possesses another set of commodities (products), which he transforms into (more!) money, by selling them for their true values. The addition of new, surplus-value takes place in the production process.

Capitalist production is characterised by two peculiarities: (1) that 'the worker works under the control of the capitalist to whom his labour belongs' and (2) that 'the product is the property of the capitalist and not that of the worker'. 'The labour-process is a process between things the capitalist has

purchased, things which belong to him. Thus the product of this process belongs to him', says Marx.⁵ The capitalist is not interested in consuming the product, but in selling it in order to get more money. His focus is on the value, not the use-value of the product. His goal is maximal value-growth of his capital. 'The driving motive and determining purpose of capitalist production is the self-valorization of capital to the greatest possible extent, i.e. the greatest possible production of surplus-value, hence the greatest possible exploitation of labour-power by the capitalist'.⁶ The worker is also not particularly interested in the use-value of the goods he produces but does not possess: 'In fact, of course, this "productive" worker cares as much about the crappy shit he has to make as does the capitalist himself who employs him, and who also couldn't give a damn for the junk'.⁷

Valorisation

Surplus-value can now be defined as the value produced by wage-labour that extends the value of the labour-power spent in this production. In Marx's analysis, the transition of money into capital and the creation of surplus-value is not a cancellation but a further development of the basic form of commodity value that he analysed in the beginning. He doesn't suggest that labour-power is always sold for its true value. In fact, it tends to be sold under its value, due to mechanisms that will be shown later on. What he does prove is that capitalists can gain surplus-value even when equal values are exchanged, including the value of labour-power. Surplus-value is produced on the basis of the law of value, as the wage-labourer is exploited even when he gets paid the full value for his labour-power. This makes the worker different from all other commodity sellers: even when he sells his commodity (labour-power) at its full value, he makes a kind of loss, by totally losing control over the labour process and the result of his labour. There is therefore no remedy to be found in some kind of retreat to simple commodity production, as it is the law of value itself that lays the foundation for the exploitation of the working class. The worker does not sell his labour but his labour-power.

This essential distinction between labour and labour-power – or between the use-value and the value of labour-power – is a central core in Marx's theory of surplus-value, in line with the contradictory character of every commodity. The capitalist production process is at the same time a labour process (creating qualitative and concrete use-values) and a *valorisation* process (creating quantitative and abstract value). The latter is the sole reason for the capitalist to organise this production. The valorisation process of value-growth only relies on the time-duration of labour, and not its particular useful traits. As for the means and raw materials of production, which are bought as commodities from other producers, only their values are relevant to valorisation.

Marx uses a concrete example to examine production as a creation of value and surplus-value.⁸ In this example, a capitalist employs spinning workers to produce yarn. The value of each commodity is determined by the quantity of

labour expended on and materialised in it – by the working-time necessary, under given social conditions, for its production.

The example links back to a calculation of the value of labour-power presented in the previous chapter, where it was assumed that in the mass of commodities requisite for a worker to reproduce his labour-power in the average day there are embodied 6 hours of social labour. This means that half a day's labour is needed for the daily production of labour-power. This quantity of labour forms the value of a day's labour-power or the value of the labour-power daily reproduced. And if half a day's average social labour is at the same time incorporated in 3 shillings, then this is the price corresponding to the value of a day's labour-power. The value of a day's labour-power is 3 shillings – a value corresponding to 6 hours' labour requisite to produce the necessaries of life required daily on average by the labourer. This is therefore what the capitalist will pay in daily salary for his worker.

Now, Marx wants to find out the value of (or quantity of labour invested in) 10 lb of yarn, applying exactly the same kind of calculation. He starts with the raw material, which in this case is 10 lb of cotton, which is assumed to have been bought at its full value for 10 shillings. One may further assume that the wear and tear of the spindle (the means of production in this case) amounts to a value of 2 shillings. If, then, 24 hours of labour, or 2 long working days, are required to produce the quantity of gold represented by 12 shillings, this means that 2 days' labour is already, through the raw material and the means of production, incorporated in the 10 lb of yarn produced. But what portion of the value of the yarn is further added to the cotton by the labour of the spinner?

During the labour process, the worker's labour constantly undergoes a transformation, from the form of unrest [*Unruhe*] into that of being [*Sein*], from the form of motion [*Bewegung*] into that of objectivity [*Gegenständlichkeit*]. At the end of one hour, the spinning motion is represented in a certain quantity of yarn; in other words, a definite quantity of labour, namely that of one hour, has been objectified in the cotton. We say labour, i.e. the expenditure of his vital force by the spinner, and not spinning labour, because the special work of spinning counts here only in so far as it is the expenditure of labour-power in general, and not the specific labour of the spinner.⁹

Supposing that it takes 6 hours' labour to transform 10 lb of cotton into an equal amount of yarn, the spinning process increases the value of the product with 6 hours' labour – the same value that is embodied in a 3-shilling piece of gold. The resulting total value of the product, the 10 lb of yarn, is therefore two and a half days' labour, since that is the labour-time embodied in it, of which two days were contained in the cotton and in the substance of the spindle worn away, and half a day was absorbed during the spinning process. This two and a half days' labour is also represented by a piece of gold of the

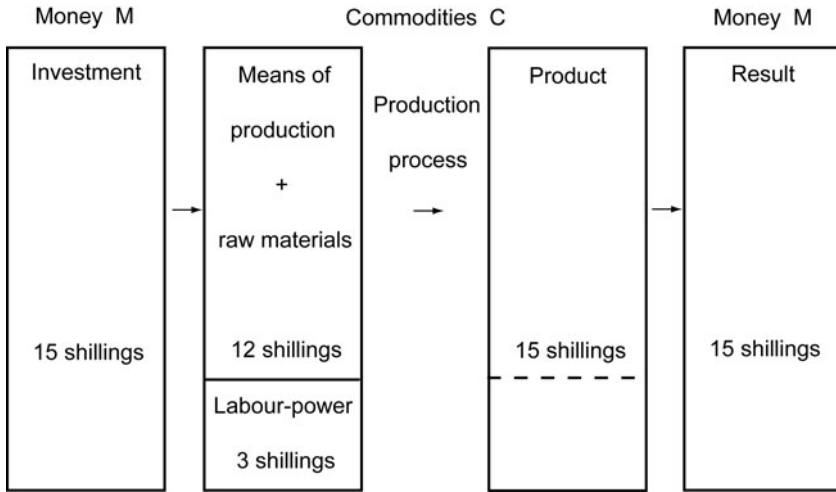


Figure 5.1 Commodity production as a creation of value (after Broady, 1976: 56)

value of 15 shillings, which is thus an adequate price for the 10 lb of yarn. Figure 5.1 clarifies the calculation so far.

Our capitalist stares in astonishment. The value of the product is equal to the value of the capital advanced. The value advanced has not been valorized, no surplus-value has been created, and consequently money has not been transformed into capital. The price of the yarn is 15 shillings, and 15 shillings were spent in the open market on the constituent elements of the product or, what amounts to the same thing, on the factors of the labour process; 10 shillings were paid for the cotton, 2 shillings for the wear of the spindle and 3 shillings for the labour-power.¹⁰

But this riddle has a simple solution.

But the past labour embodied in the labour-power and the living labour it can perform, and the daily cost of maintaining labour-power and its daily expenditure in work, are two totally different things. The former determines the exchange-value of the labour-power, the latter is its use-value.¹¹

This difference between the two values was what the capitalist had in view, when he was purchasing the labour-power with its specific use-value of 'being a source not only of value, but of more value than it has itself':

In fact, the seller of labour-power, like the seller of any other commodity, realizes [*realisiert*] its exchange-value, and alienates [*veräußert*, i.e. sells to another] its use-value. He cannot take the one without giving the other.

The use-value of labour-power, in other words labour, belongs just as little to its seller as the use-value of oil after it has been sold belongs to the dealer who sold it. The owner of the money has paid the value of a day's labour-power; he therefore has the use of it for a day, a day's labour belongs to him. On the one hand the daily sustenance of labour-power costs only half a day's labour, while on the other hand the very same labour-power can remain effective, can work, during a whole day, and consequently the value which its use during one day creates is double what the capitalist pays for that use; this circumstance is a piece of good luck for the buyer, but by no means an injustice towards the seller.¹²

The labourer thus has to work not 6 but 12 hours a day. As then twice as much can be produced per day than before, the capitalist must provide double amounts of means of production: 20 lb of cotton, bought for 20 shillings, and 4 shillings' wear on the tools. The 20 lb of yarn that is the product of this prolonged process then has a value of 30 shillings or 5 days of labour. But the sum of the values of the commodities that entered into the process amounts to 27 shillings, i.e. 24 shillings' means of production plus 3 shillings' labour-power: '27 shillings have turned into 30 shillings; a surplus-value of 3 shillings has been precipitated. The trick has at last worked: money has been transformed into capital'.¹³ (See Figure 5.2.)

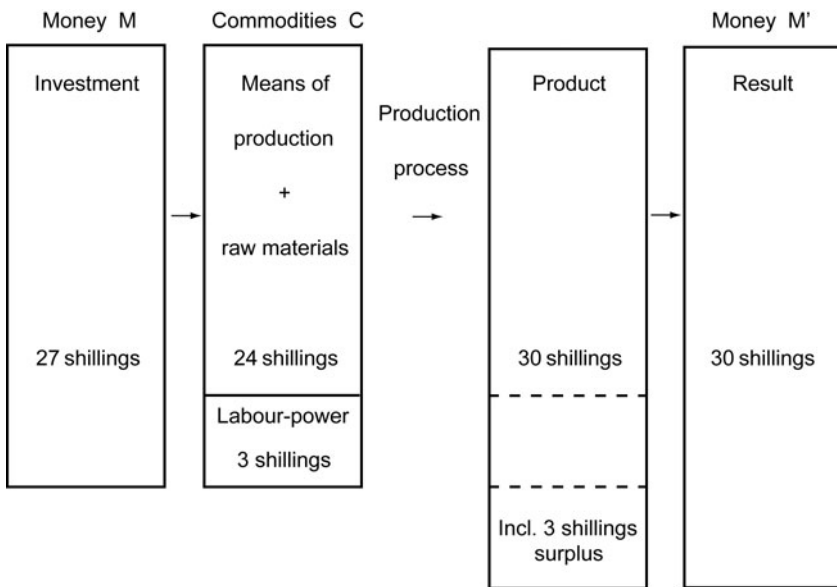


Figure 5.2 Commodity production as a process of valorisation (after Broady, 1976: 57)

Every condition of the problem is satisfied, while the laws governing the exchange of commodities have not been violated in any way. Equivalent has been exchanged for equivalent. For the capitalist as buyer paid the full value for each commodity, for the cotton, for the spindle and for the labour-power. He then did what is done by every purchaser of commodities: he consumed their use-value. The process of consuming labour-power, which was also the process of producing commodities, resulted in 20 lb. of yarn, with a value of 30 shillings. The capitalist, formerly a buyer, now returns to the market as a seller. He sells his yarn at [...] its exact value. Yet, for all that, he withdraws 3 shillings more from circulation than he originally threw into it. This whole course of events, the transformation of money into capital, both takes place and does not take place in the sphere of circulation. It takes place through the mediation of circulation because it is conditioned by the purchase of the labour-power in the market; it does not take place in circulation because what happens there is only an introduction to the valorization process, which is entirely confined to the sphere of production.¹⁴

Towards the end of Volume II, Marx neatly sums up what the rest of Volume I is about: 'The immediate production process of capital is its process of labour and valorization, the result of this process being the commodity product, and its determining motive the production of surplus-value'.¹⁵ Before moving ahead, it is at this stage in the presentation worth summarising how the basic inner contradiction or *dual character of commodity production* has become a key element on all levels so far and now takes one step further.

At first, it was *concrete labour producing use-value* that stood against *abstract labour producing value*. This polarity exists in all commodity-producing societies, but not in older societies before commodity exchange, nor in those future post-capitalist societies that Marx hoped for.

In every society, all labour is *private-concrete* in being a particular kind of work, for instance weaving, using specific tools and operations to make an artefact with specific traits. All work always has a concrete aspect, by producing specific artefacts, for instance linen or potatoes, by the use of certain forms of knowledge, tools and raw materials. The result is a certain use-value, a 'physical or natural form' that is useful to at least some people. A piece of linen can give warmth; boiled potatoes can fill a stomach.

But when these products become commodities to be changed for other commodities on a market, the abstract side of labour is added, as the commodities represent a quantitative amount of labour-time, and this value appears in the form of exchange-value, which is an expression of their relations to other commodity values on that market. In commodity production, labour is thus also *abstract-social*. It is abstract, by disregarding all determinations that separate different kinds of labour from each other and just noting what unites them: expenditure of human labour-power. It is this abstraction that makes

exchange possible, and it may well be the real abstraction of commodity exchange that has enabled humans to develop further forms of abstraction in thought-form. It is social, because the use-value produced is not for the worker himself but for somebody else's needs. The road to need satisfaction here goes through exchange on a market.

The dual character of labour thus resulted in a parallel dual character of the commodity as *use-value* and (*exchange-*) *value*. On the present and more concrete level of presentation, where the transition to a fully developed capitalist mode of production has taken place, by making the labour-power a commodity that allows surplus-values to be created, this now in turn provides the basis for yet another dual character or dichotomy. This time it is a dual character of the production process as a whole, as it is both a *labour process* and a self-expansion or *valorisation process*. The labour process is what is commonly meant by work or labour, where specific professional know-how and specific operations on specific machines result in specific use-values. The valorisation process is the aspect where all such specific determinations have been disregarded and only the basic and general form of all capitalist industrial production remains: that raw materials are consumed and means of production are worn out while their value is transferred onto the products, and new value is created by the utilisation of the use-value of labour-power, which has the unique capacity of creating new value.

The term 'valorisation' translates Marx's German term *Verwertung*, which means growth of value or self-expansion, but also utilisation. This is a conscious double meaning (polysemy), as it is the capitalist utilisation of labour-power that makes the value of capital grow. This is thus more than just the production or creation of value in general: it is a genuine expansion of already existing values.

It is generally not difficult to understand the concrete aspect of labour, use-values and the labour process, as this is something all people experience in daily life. The abstract side of values and valorisation is by definition more abstract and also less easy to really understand in a deeper and more embodied sense. What can be imagined are on the one hand rather abstract figures, numbers and models, and on the other hand the hard facts of how this valorisation process affects human lives and global nature. Marx uses both these methods, and contemporary readers may well make use of lots of supplementary material to envisage these contradictions, for instance by applying these distinctions to personal experiences or fictional texts that may be of relevance here.

Constant and variable capital

Living labour thus has the capacity of at the same time transferring existing values (of the means of production) and adding new value. The two are done simultaneously, not one after the other. In ordinary times, this seems self-evident for the capitalist but, in times of economic crisis or strikes, this dual character of

labour becomes visible, in that machines standing still and raw materials not being reworked result in their values not being transferred onto any products.

Means of production can never be the source of more value than is incorporated in them. The total value of a machine is transferred to the products in portions, depending on the total life-length. If a machine worth £1,000 wears out in 1,000 days, then on average a value of £1 is added to one day's products of working with that machine. The same means of production is then used as one total use-value day after day, but only gives away a proportion of its value in the valorisation process.

The capitalist has invested his capital in labour-power (Lp) and means of production. These two main production factors play highly divergent roles as they combine as material factors in the capitalist production process to produce surplus-value. The means of production is reworked into products, and its original value is thereby transferred to these products with no quantitative change in size. As this value is constant, Marx suggests that the means of production here functions as *constant capital*.

Labour-power is a different story. Its value is determined by the necessary means of sustenance for the worker, but it is not that value that functions in capitalist production, but the use-value of labour-power: living labour. In this production process, this living work creates a new value, bigger than the original capital (wages) that the capitalist has invested in labour-power. The part of capital invested in labour-power is therefore called *variable capital*.

The same elements of capital which, from the point of view of the labour-process, can be distinguished respectively as the objective and subjective factors, as means of production and labour-power, can be distinguished, from the point of view of the valorization process, as constant and variable capital.¹⁶

The capital (C) is made up of two components: the money laid out upon the means of production and representing constant capital (c), and the money covering the costs of labour-power and representing variable capital (v): $C = c + v$. In production, a surplus-value (s) is added, so that the value of the product is $c + v + s$. The constant capital never creates any new value, but only gives away a given portion of its value to the product in each time period, until it is used up, when raw materials are finished or the machines worn out. All new value comes from living work, the result of the capitalist consuming the use-value of labour-power in the production process, which creates a value that equals its own value plus the surplus-value. The new value actually created in the production process, the 'value-product', as Marx calls it, is therefore not the same as the value of the product $(c + v) + s$, but $v + s$.

The total valorisation process of capital can be expressed in the following formula, where the capitalist on the market uses his money (M) to buy the commodities (C) that he needs for the production process (P), namely constant

capital (c) for means of production and variable capital (v) corresponding to labour-power. The result of the production process is a product in commodity form (C') whose value exceeds the ones bought initially ($c + v$), and the product is sold at its true value (M').

$$M \rightarrow C (= c + v) \dots P \dots C' (= c + v + s) \rightarrow M'$$

In the example above, capital of 27 shillings was advanced (C), of which 24 shillings was constant (c) and 3 shillings variable (v). The resulting commodity product value $(c + v) + s$ was 30 shillings, so that the surplus-value was 3 shillings (s).

Marx here also provides another example, assuming that capital of £500 is advanced (C), of which £410 is constant (c) and £90 variable (v). If the surplus is again the same as v , £90 (s), the resulting commodity product value is then $(c + v) + s$ or $(£410 + £90) + £90 = £590$. The original capital has changed from £500 (C) to £590 (C'). The difference is a surplus-value of £90 (s). The value of the product $(c + v) + s = £590$, but the value-product that is new value created in production is $v + s = £90 + £90 = £180$.

In order to find out how much the capital has grown and been valorised, one must remember that all surplus-value derives from living labour. The important sum is the newly created value-product ($v + s$), and the resulting surplus-value (s) must primarily be related to the variable capital invested. 'This relative increase in the value of the variable capital, or the relative magnitude of the surplus-value, is called here the rate of surplus-value'.¹⁷ The *rate of surplus-value* thus equals s/v .

In the first example above, this rate is thus 3 shillings/3 shillings = 100 %.

In the second example, it is £90/£90 = 100 % (again).

During part of the working day, the labourer produces a value corresponding to the value of the means of subsistence necessary for reproducing his labour-power. This time Marx calls it '*necessary labour-time*', and the labour expended during that time, '*necessary labour*'.

The labour expended during the rest of the workday is never compensated. It is this labour that creates surplus-value for the capitalist. Marx therefore names it '*surplus labour*', and the '*surplus labour-time*' is the period of the day spent in giving this labour to the capitalist. It follows that surplus-value bears the same ratio to variable capital as surplus labour does to necessary labour: The rate of surplus-value (s/v) = surplus labour/necessary labour. 'The rate of surplus-value is therefore an exact expression for the degree of exploitation of labour-power by capital, or of the worker by the capitalist'.¹⁸

It should now be mentioned in passing that the rate of surplus-value is *not* the same as the *rate of profit*. The former is s/v , while the latter is $s/(c + v)$ or s/C or s/M in the formula above. In the first example above, the surplus was 3 shillings, which means that a surplus-value of 10 per cent has been added to the initial investment of 30 shillings. The rate of profit is $(M' - M)/M = s/(c + v) = 10\%$, whereas the rate of surplus-value was $s/v = 100\%$. In the second example, the rate of profit was $£90/£500 = 18\%$, while the rate of surplus-value was again

100 per cent. The rate of profit will be discussed much further later on, since it moves on a slightly more superficial or concrete level, closer to the imagination of the capitalists themselves, whereas Marx considers the rate of surplus-value to be a more fundamental driving force for capitalist production.

The movement of capital is without limits. In the valorisation process, values strive to grow as much as possible. Each capitalist therefore wants to let workers work for as long as possible each day, and to put as many workers as possible to work, as the amount of surplus-value produced is directly proportional to the number of workers engaged in producing value for the capitalist.

Marx expresses this in a law that states that 'the mass of surplus-value produced is equal to the amount of the variable capital advanced multiplied by the rate of surplus-value'.¹⁹ If s is the surplus-value produced by one worker in one day, v is the value of his labour-power for one day and V stands for the sum total of variable capital advanced, the total *mass of surplus-value* (S) can thus be expressed in a formula: $S = s/v \times V$.

For each capitalist, the mass of surplus-value grows in proportion to the number of workers he puts to work. The surplus-value of the whole class of capitalists therefore grows in proportion to the total size of the productive working class. This is why capital tends to transform as large a part of the population as possible into waged labourers. 'Since the production of surplus-value is the determining purpose of capitalist production, the size of a given quantity of wealth must be measured, not by the absolute quantity produced, but by the relative magnitude of the surplus product'.²⁰ Marx summarises the essence of what capital is in a late passage in Volume III:

But capital is not a thing, it is a definite social relation of production pertaining to a particular historical social formation, which simply takes the form of a thing and gives this thing a specific social character. Capital is not the sum of the material and produced means of production. Capital is the means of production as transformed into capital, these being no more capital in themselves than gold or silver are money. It is the means of production monopolized by a particular section of society, the products and conditions of activity of labour-power, which are rendered autonomous vis-à-vis this living labour-power and are personified in capital through this antithesis.²¹

Concepts like the mass and rate of surplus-value are average entities for whole societies, helping us to understand the overall relation between classes. On such a scale, it is easier to calculate the rate of surplus-value than for a specific single capitalist firm since, on that more concrete level, so many other complications distort the image and make all available statistics insufficient. Single companies do not operate with societal average values but with continually shifting prices. The actual rate of surplus-value can therefore not be exactly determined, for several reasons. An actual capitalist does not think in Marx's terms, but has other ideas, influenced by the fetish character of commodities and money. He may for instance not be quite sure of from where his profits ultimately

derive, other than as the difference between gross incomes and costs. He relates these profits not just to the variable capital spent over a year, but to all his invested capital. This is not the same as surplus-value in Marx's sense. The capitalist may well have bought his means of production at below its true value and sold products above their value, which of course will raise the surplus outcome of the process. Also, costs for interest rates, marketing, insurance, taxes, administration, bonuses and the like appear as necessary costs for the capitalist, even though they are all parts of the surplus-value that are thus redistributed between him and others.

A further complication is that the rate of surplus-value for Marx is the relation between surplus-value and variable capital over precisely one turnover of the capital in question, i.e. the time it takes for the invested variable capital to go through the full $M \rightarrow C \rightarrow M$ movement exactly one time. At the end of this circuit, the variable capital has returned to the capitalist, after he has sold the products, and he can again use that sum to buy more labour-power. Before knowing how many such turnovers are fulfilled per year, it is impossible to measure the real rate of surplus-value, of which the quotient between annual surplus and annual salaries is just an approximation, which is further distorted by the inclusion of non-productive labour-power in the latter denominator.

Also, capitalists have little reason to make public their finances in all true details. Competition with other firms, the wish to keep employees happy in the face of salary negotiations and the will to impress shareowners on the financial market – all such factors tend to make the existing publicised figures unreliable. There are many accountancy tricks to make annual reports look more favourable, in one way or the other, which further complicates our calculation efforts.

The working day and class struggle

The working day is the sum of necessary labour-time and surplus labour-time, that is, the time during which the worker produces as much value as that of his own labour-power plus the surplus-value. If the necessary labour-time has a given length, the total length of the working day varies with the amount of surplus labour added. Capitalist production demands that the total length of the working day exceeds the necessary labour-time, since the creation of surplus is its very basis and motivation.

Capital knows no limits of its valorisation and, as the obedient personification of capital, the capitalist also knows no limits in his hunt for surplus-value: 'it is only in so far as the appropriation of ever more wealth in the abstract is the sole driving force behind his operations that he functions as a capitalist, i.e. as capital personified and endowed with consciousness and a will'.²² Each capitalist has to compete with other capitalists, and this competition forces him to let his capital grow in value at maximal speed. The more the working day is extended for his workers, the stronger is his position in the competition with other capitalists.

Capital therefore takes no account of the health and the length of life of the worker, unless society forces it to do so. Its answer to the outcry about

the physical and mental degradation, the premature death, the torture of over-work, is this: Should that pain trouble us, since it increases our pleasure (profit)? But looking at these things as a whole, it is evident that this does not depend on the will, either good or bad, of the individual capitalist. Under free competition, the immanent laws of capitalist production confront the individual capitalist as a coercive force external to him.²³

The capitalist who acts against the maximal valorisation of his own capital will by necessity sooner or later go bankrupt in the competition struggle. All other members of capitalist societies are likewise subordinated by the coercive forces of capitalist commodity production and cannot develop as free individuals in voluntary mutual association. Individuals exist for each other mainly as representatives of commodities, as commodity owners, whether these commodities are capital or labour-power, in that ‘the economic character masks of persons are merely personifications of economic relations’.²⁴ ‘It is not individuals who are set free by free competition; it is, rather, capital which is set free’, said Marx in *Grundrisse*:

It is nothing more than free development on a limited basis – the basis of the rule of capital. This kind of individual freedom is therefore at the same time the most complete suspension of all individual freedom, and the most complete subjugation of individuality under social conditions which assume the form of objective powers, even of overpowering objects – of things independent of the relations among individuals themselves.²⁵

Classes are bearers of economic ‘character masks’ that serve as scripts for the roles they must play in their interaction.²⁶ In simple commodity circulation, buyer and seller are such character masks that mediate the movements of commodities. But while the same person is sometimes seller and sometimes buyer, one is usually much more permanently either a worker or a capitalist. ‘The *production of capitalists and wage labourers is thus a chief product of capital’s valorization process*’, says Marx in *Grundrisse*.²⁷ Terms like ‘masks’, ‘scripts’ or ‘roles’ point at the dependence of collective human agency on structural constraints, but also run a risk of seeing this ‘social game’ too much as just an external artifice. The character masks are not easily disentangled from the ‘real’ identities of their bearers. A century after Marx, the British sociologist Anthony Giddens (1938–) grappled with this interaction between agency and structure, while the French cultural sociologist Pierre Bourdieu (1930–2002) developed his concept of ‘habitus’ to understand how the tastes and dispositions of individuals and collectives were formed in mutual determination with the positions they take in the power relations of key social fields in society. Marx clearly never saw for instance the capitalist character mask as anything that could easily be divorced from the human being who was so deeply formed by having to carry it.

Classes existed long before capitalism, but it is not the same ruling and subordinate classes that have always existed. The modern working class is born with capital and capitalism, which construct the direct producers as wage-labourers.

In Marx's analysis, the classes are logically not the origin of capital and labour, but the relation is reversed: it is these economic categories that give rise to the classes. Class struggle is not ultimately caused by any human will or by the evil greed of capitalists, but by the innermost contradictions of capitalist commodity production that are based on the tension between abstract and concrete labour; between value and use-value.

It is therefore not possible to abolish capitalists while keeping capital intact. Even the richest capitalists have to act in accordance with the economic laws of the system itself. Also, it is not enough to abolish money, since the founding force goes even deeper than that, down to simple commodity exchange. As long as it survives, so do the basic mechanisms of capitalism.

All this does not imply that capitalists are necessarily to be morally condemned or that workers always in practice behave in an exemplary manner. Marx expresses this clearly in his 'Preface':

To prevent possible misunderstandings, let me say this. I do not by any means depict the capitalist and the landowner in rosy colours. But individuals are dealt with here only in so far as they are the personifications of economic categories, the bearers [*Träger*] of particular class-relations and interests. My standpoint, from which the development of the economic formation of society is viewed as a process of natural history, can less than any other make the individual responsible for relations whose creature he remains, socially speaking, however much he may subjectively raise himself above them.²⁸

The constant capital, consisting of means of production, is in itself originally 'dead labour' and can only 'survive' if it is combined with human labour. Frozen or dead labour yearns for living labour that lets its value be maintained by being transferred.

Capital is dead labour which, vampire-like, lives only by sucking living labour, and lives the more, the more labour it sucks. The time during which the worker works is the time during which the capitalist consumes the labour-power he has bought from him. If the worker consumes his disposable time for himself, he robs the capitalist.²⁹

The demand for valorisation forces the capitalist to require maximal utilisation of the use-value of labour-power. He would prefer not to give his worker any leisure time at all, since all time spent in caring for the worker's needs is in a way lost for the valorisation of his capital.

The upper limit of the working day has two main determinants. First, a worker's body can only manage to perform a maximum amount of labour each day. A minimal period of time is needed for resting and eating, i.e. for the mere *physical* reproduction of labour-power. Second, as members of society, workers must also fulfil certain functions as citizens and satisfy a minimal amount of social and cultural needs at a level that depends on the general historical situation. There must thus be some time for the *social* reproduction of labour-power.

Even though this leisure time only has the purpose of recreating the normal labour-power of the worker, which is something that the capitalist also demands, this time has historically never been granted to the worker without struggle. Capitalists prefer the longest working day possible, while workers strive to make working days as short as possible. As early as the mid-nineteenth-century, workers fought for an 8-hour working day, which was generally not granted until the early twentieth century. Few countries have diminished this length considerably further, testifying to the continued efforts of capitalists to extract as much surplus labour as possible: 'the most fundamental right under the law of capital is the equal exploitation of labour-power by all capitalists'.³⁰

The regulation of the working day was not given in advance. 'The establishment of a normal working day is the result of centuries of struggle between the capitalist and the worker'.³¹ Marx devotes a whole chapter to describing and analysing these struggles (Chapter 10). The issue could not be solved just through peaceful negotiations between the two parties. Workers and capitalists first of all meet as exchange partners, as labour-power is exchanged for money of equal value. This exchange between equal values offers no objective measure for the length of the working day, but both parties can still argue with the help of the simple law of value.

The capitalist can argue that he has bought the commodity of labour-power at its exchange-value. Its use-value therefore belongs to the capitalist for one working day. He has the right to let the worker labour for him for one day, and it is therefore natural to let that working day be as long as possible. The capitalist treats labour-power as any other commodity, whose use-value he can utilise as he likes, after having paid its value.

But the wage-labourer can also invoke the general law of value exchange. Only those products that exist and have at least an average quality can be sold at their value on the market. The worker must sell his labour-power at its value again and again on the labour market and must therefore be able to work tomorrow with the same normal strength and health as today. In order to uphold the normal use-value of his commodity (labour-power), which must be the case if he is to be able to sell that labour-power at its value and thus to continue reproducing it, he only wants to give away just so much of it each day as corresponds to his total length of life under decent living conditions. The worker thus invokes his right as seller of the commodity of labour-power, when arguing for limiting the working day to a specific normal or maximal length. The worker treats labour-power not as any commodity, but as a specific kind of commodity, whose use-value must therefore be carefully handled in order not to break down, since he has to sell it every day in accordance with the law of value.

This kind of conflict around the utilisation of the use-value of an exchanged commodity does not arise for every commodity. The weaver does not interfere with how the tailor uses the cloth that the former has sold to the latter. This conflict of interest cannot be explained by the general law of value, but goes back to the specificity of labour-power as a commodity, which in turn depends on its use-value of being the value-creating force in the production process. The reason for conflict is that the law of value does not stipulate any given limit for

the working day or for surplus labour. Capital and labour can lean on the same law of value (the exchange of equal values) to support their mutually oppositional interests. Both have their rights and, between equal rights, the decision can only be made in one way: by power.

The exchange between the owner of money and means of production and the owner of labour-power is necessary for the worker to be able to reproduce his life, and it is necessary for the capitalist to transform his dead money into growing capital. This exchange has its basis in the economic division between these two kinds of owners. Based on this specific relation of private ownership, society is divided into a *capitalist class* and a *working class*.

The capitalist class only wishes to appropriate as much living work as possible for valorising its means of production, and this means exploitation of the workers. The working class is forced to sell its labour-power in order to survive. Private ownership of the means of production and a large section of the population owning nothing but their labour-power is thus the basis for class struggle in capitalist societies.

Capitalism cannot survive this division and struggle without coming to some kind of compromise agreement, so that labour-power can be reproduced between generations and there is peace enough for production to continue. 'The establishment of a normal working day is therefore the product of a protracted and more or less concealed civil war between the capitalist class and the working class'.³² Such agreement does not emerge at all peacefully, but only through the continual class struggle that at the same time has resulted in collective movements among workers who organised themselves in various kinds of organisations to protect their interests. *Trade unions* became the chief form of association for the collective defence of workers' interests and for quantitative improvements of their situation in the labour market and in capitalist production.

For 'protection' against the serpent of their agonies, the workers have to put their heads together and, as a class, compel the passing of a law, an all-powerful social barrier by which they can be prevented from selling themselves and their families into slavery and death by voluntary contract with capital.³³

Trade unions are formed as institutions for collective safeguarding of the sale of labour-power and are necessary in order to avoid labour-power being sold under its value, which would mean that the working class could not be reproduced. The tasks and functions of trade unions thus do not in themselves go beyond capitalism, as labour-power must be reproduced for capitalism to continue expanding. Trade unions usually do not question wage-labour itself: the fact that labour-power is a commodity.

In a sense, then, the workers' movement was born out of capitalism itself, having 'grown instinctively out of the relations of production themselves'.³⁴ Marx insisted that, as long as the struggle was limited to quantitative improvements, nothing changed in the fundamental situation of labour and a working class being exploited by capital and the capitalist class. Abolishing this class

system as such is only possible if the root of its evil is attacked, i.e. by getting rid of the economic basis of this class division: private ownership of the means of production.

The conflict over the length of the working day has seen violent methods used by both sides against both things and people. In the nineteenth century, workers destroyed factories and machines, while capitalists ordered the military to quench rebellious workers. Marx argued that violent force was necessary, since that side always won that could develop the most efficient physical force. If workers had not used violence, the working day would have been prolonged in a limitless fashion, resulting in total erosion of labour-power. If, on the other hand, a capitalist refrained from using physical force in this struggle, his rate of surplus-value would fall and he would perish in the competition against other capitalists and would himself become a labourer. The failure to mobilise violent force to protect one's own interests here resulted in abandonment to the power of the adversaries.

The contradiction between labour and capital is not abolished when there is a compromise between the two. The normal working day that was finally guaranteed by state legislation is only a temporary solution of this contradiction. History shows that similar conflicts over the length of the working day tend to return again and again, in one form or the other, as long as capitalism persists.

The 'powerful social barrier' of a law is established by the *state*, whose core function in Marx's analysis is to secure the continued existence of capitalism. This demands that the reproduction of both capital and labour is safeguarded. The system of justice must therefore prevent all assaults on the laws of commodity production and circulation, both from workers and from capitalists. Health care and schooling must help reproduce labour-power. Roads and other collective infrastructures must be built and kept in order. The potentially catastrophic effects of economic crises must be counteracted by efforts to prevent mass unemployment and mass bankruptcy. The military and police forces must protect society from its external and internal enemies.

The state must also defend workers' reproduction against assaults from specific capitalists and will therefore appear as a neutral tool or judge over class struggle. This 'social state illusion' has grown with the growing role of the welfare state from the 1930s onwards and it is the basis of *reformist* views of the state. Being anchored in material experiences of state interventions in society, it has become a dominant ideology in the history of workers' movements. It gives rise to social democratic views of the good state that is supposed to improve workers' conditions, but also to more radical theories that aim to let a workers' party take over state power and use it as a neutral tool to build socialism from above. Most forms of revisionist Marxism tend to regard political and economic struggle as two quite distinct fields. For them, class struggle is more of a struggle for state power, while the economic basis of society is left untouched. In Marx's own analysis there is a much closer interrelation between politics and the economy.³⁵

Such political strategy issues go far beyond this presentation, but suffice to say that Marx was clearly and strongly against any such tendencies. In his *Capital*, before his death he never managed to reach the section he planned on

the state, but from his other writings it is quite clear that, to him, the functions and potentials of the state were bound to the capitalist mode of production. Looking back at the role of the state apparatus in nineteenth-century Europe, it is not difficult to understand why Marx arrived at such a highly sceptical conclusion. However, he mainly discussed these issues in more concrete pamphlets and articles on specific political events and never came to elaborate the theory of the state that his scheme for *Capital* suggested would come later. The brief allusions to state legislation in connection with the conflict over the working day are far from sufficient to found such a general state theory. This makes it difficult to predict how that theory might be developed, which in turn explains the plurality of conflicting models suggested by later Marxists.

As there are now in most countries state regulations in this area, the struggle over the length of the working day is no longer quite as central as it was in the nineteenth century. Capitalists do of course continue to resist any further shrinking of the length of the working day, and there is also a related conflict going on over the tempo and intensity of labour, which will be scrutinised in a later chapter.

However, these class struggles have had other important results, besides pushing forward the formal regulations of the normal working day. They gave rise to working-class organisations that develop a political discourse and agenda, which may well expand beyond the mere regulation of the working day and other quantitative conditions of work. Above their protective tasks, trade unions may in principle develop other agendas as well, in interaction with socialist political parties as well as other old and new social movements that have developed the working class from just being a bearer of the commodity of labour-power (the 'class in itself') to a network of conscious and sometimes mutually divided agents for societal change (a 'class for itself').

Capital creates the working class, but this class is no obedient servant; from the *Communist Manifesto* onwards, Marx prophesies that it will become capitalism's grave-digger.

The essential condition for the existence, and for the sway of the bourgeois class, is the formation and augmentation of capital; the condition for capital is wage-labour. Wage-labour rests exclusively on competition between the labourers. The advance of industry, whose involuntary promoter is the bourgeoisie, replaces the isolation of the labourers, due to competition, by their revolutionary combination, due to association. The development of Modern Industry, therefore, cuts from under its feet the very foundation on which the bourgeoisie produces and appropriates products. What the bourgeoisie, therefore, produces, above all, is its own grave-diggers. Its fall and the victory of the proletariat are equally inevitable.³⁶

Towards the end of *Capital* Volume I, Marx describes how capital undermines itself by giving rise to the working class as a collective social force:

Along with the constant decrease in the number of capitalist magnates, who usurp and monopolize all the advantages of this process of transformation, the

mass of misery, oppression, slavery, degradation and exploitation grows; but with this there also grows the revolt of the working class, a class constantly increasing in numbers, and trained, united and organized by the very mechanism of the capitalist process of production. The monopoly of capital becomes a fetter upon the mode of production which has flourished alongside and under it. The centralization of the means of production and the socialization of labour reach a point at which they become incompatible with their capitalist integument. This integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated.³⁷

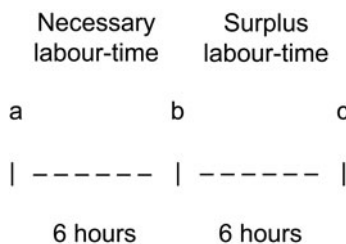
The conflicts over the length of the working day are in this perspective the beginning of the fateful capitalist class struggle. Economy and class struggle are thus not two different entities or spheres, but closely intertwined. This makes all economy critique intrinsically political, at the same time as class struggle can only be understood with the background of economy critique.

In sum, the working day consists of necessary labour-time plus surplus labour-time. The maximal length of the working day is the total length of a day (24 hours) minus the time necessary for physical and social reproduction of labour-power. The actual length of the working day is co-determined by the relations of strength between the capitalists and the working class, which in turn depend on the rate of unemployment and on a series of historical and social factors related to class struggle and collective organisation, and it therefore cannot be reduced to any mathematical or logical formula.

When the length of the working day is regulated by law, capitalists cannot arbitrarily raise the rate of surplus-value by lengthening that working day and thus increasing surplus labour. Luckily for them, there are other methods for that purpose, to which this chapter will now turn.

Absolute and relative surplus-value

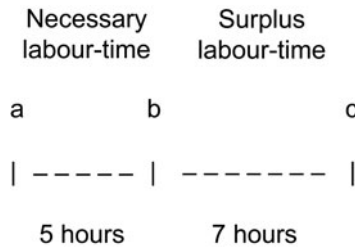
In the example of the spinning work, above, it was assumed that the necessary labour was equal in size to the surplus labour. With a 12-hour working day (which is no longer the norm these days, but was common up until Marx's time), this means that the day is divided into two initially equal parts: necessary labour-time (a to b) and surplus labour-time (b to c):



When discussing absolute surplus-value above, it was assumed that the necessary part (a to b) was constant, while capitalists strove to prolong the surplus part (b to c) as much as possible, with workers fighting to reducing it. There are both natural and social limits to any monstrous lengthening of the working day, and the pressure from the working class and its fresh trade unions resulted in legislation that limited this option.

Once the total length of the working day is fixed (except for temporary overtime work), an increase in surplus labour (b to c) can only result from a reduction of necessary labour (a to b). Without changing the total length of the working day, only the internal relation between necessary and surplus labour is then adjusted.

One method is to pay the labour-power under its value, but this cannot be the normal procedure here. Depressing wages will not in the long run reproduce labour-power and would therefore threaten the continuation of capitalist production. The only option is then that the necessary labour-time is really diminished. This presupposes that the value of the necessary means of subsistence shrinks, while the mass of such means of subsistence remains constant. If those means can be produced more efficiently, the value of labour-power diminishes, and so does the necessary labour-time. In the example, it can be assumed that the decrease is from 6 to 5 hours, so that the division is now:



How can such a modification happen? The value of the necessary means of subsistence is determined by the socially necessary labour-time used for producing it. This value can only be diminished if less time is spent on producing such necessities of life. This requires that the *productivity of labour* be raised in those branches that produce commodities that are necessary for workers to reproduce.

One way is to improve the efficiency of those machines that are involved in this production, so that more commodities can be made using the same amount of labour-power. If no more labour-power is then used during a working day than before, no more value is created either but, thanks to the improved methods of production, the result will be an increased amount of products. Each single item of the product will embody a smaller part of the daily produced

total value sum, and thus be of less value, due to the increase in the productivity of labour. If this rise in productivity affects branches that produce consumer goods for workers, the value of each set of such goods will fall, and thereby reduce the value of labour-power.

If the productivity of labour in all society increases due to improvements of methods of production, then necessary labour diminishes in relation to surplus labour, and the rate of surplus-value rises. The capitalist can then even diminish the total labour-time (working day) without any losses in value of his capital. However, this he will of course not voluntarily do, since he has no will to make it easier for the labourer, but only to acquire surplus-value.

When a capitalist installs better machines, the intention is not to lower the value of labour-power, since this is outside his individual capacities. Not all companies produce commodities that do not belong to the necessary means of subsistence for the working class. Also, these necessities of life are produced by many different capitalists independently from each other, and each of them only cares for how to gain profits from selling his own products on the market, where he encounters other, competing capitalists. In order to succeed in this market, defeating all competitors, he must sell his commodity products cheaper than the others. He can dump his products under their value, and thus give away a fraction of his surplus-value to the buyer. Big combines that can even out profits by balancing their different sub-firms can sometimes temporarily do so, as a means of getting rid of lesser competitors who are not able to survive such dumped prices. But, in the long run, not even gigantic companies can accept such a loss of surplus-value.

As a norm, in order to sell cheaper, a capitalist thus also has to produce cheaper, that is, by increasing the productivity of labour in his company. The method for this is to organise the labour process in a more rational way and to improve the machinery. By such means, less labour-time is spent on producing the same amount of products as in competing companies. The 'individual value' of each commodity made in his factory is then less than its societal value, i.e. the average or normal value of the specific product in question, as produced by several factories in a society. The reason for this is that the socially necessary labour-time is not immediately lowered if the productivity of labour is increased in only one single company.

The terms 'individual value' and 'societal value' that Marx uses here should not be taken literally. (English translations often use 'social value' for the latter.) Real value is *always* social, not individual, as it is determined by the socially necessary labour required to make a commodity. What Marx temporarily calls 'individual value' here is just an abbreviation of the labour-time actually spent to produce this particular commodity. 'The real value of a commodity, however, is not its individual, but its social value; that is to say, its value is not measured by the labour-time that the article costs the producer in each individual case, but by the labour-time socially required for its production'.³⁸

The capitalist thus lets his workers produce more commodities than his competitors in a given period of labour-time. This gives as a result a temporary

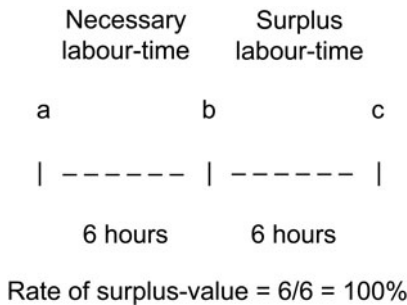
extra surplus-value, based on his use of more sophisticated methods of exploitation than his competitors. This is the mechanism behind what Marx calls the *production of relative surplus-value*. The rise of productivity of labour in a company lets its workers produce an extra surplus-value for the capitalist, not by prolonging the working day but by reducing the necessary labour-time.

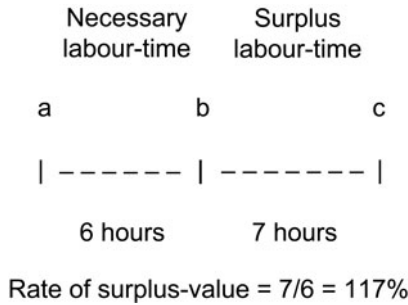
Hitherto, in dealing with the production of surplus-value in the above form, we have assumed that the mode of production is given and invariable. But when surplus-value has to be produced by the conversion of necessary labour into surplus labour, it by no means suffices for capital to take over the labour process in its given or historically transmitted shape, and then simply to prolong its duration. The technical and social conditions of the process and consequently the mode of production itself must be revolutionized before the productivity of labour can be increased. Then, with the increase of the productivity of labour, the value of labour-power will fall, and the portion of the working day necessary for the reproduction of that value will be shortened.

I call the surplus-value which is produced by the lengthening of the working day, *absolute surplus-value*. In contrast to this, I call that surplus-value which arises from the curtailment of the necessary labour-time, and from the corresponding alteration in the respective lengths of the two components of the working day, *relative surplus-value*.

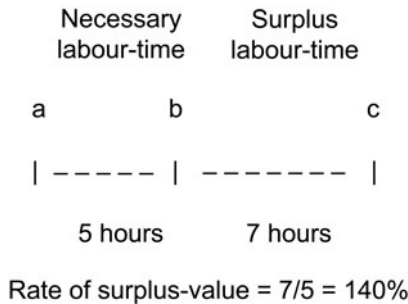
In order to make the value of labour-power go down, the rise in the productivity of labour must seize upon those branches of industry whose products determine the value of labour-power, and consequently either belong to the category of normal means of subsistence, or are capable of replacing them.³⁹

Absolute surplus-value, based on a prolongation of the working day, thus implies a transition from the first to the second situation below:





Relative surplus-value, instead based on improving the productivity of labour, involves a transition from the initial situation to the following one:



When explaining absolute and relative surplus-value, Marx avoids mentioning the value of the means of production. His figures suddenly only mention the variable capital (v) and the surplus (s), but not the constant capital (c). The reason is that he as always strives to reduce complexity in order to concentrate on the essentials. The value of constant capital is always just transferred to the products without any change, and it is therefore unnecessary to consider it in this context. '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, and thus posit the constant capital as zero or make $c = 0$ '.⁴⁰

Connecting back to the previous example of the yarn producer, one labourer at the social average of productivity in one day produced 10 lb of yarn, with a value of 30 shillings. Skipping the means of production (constant capital, c) transferred during this day, with a value of 24 shillings, the wage (corresponding to variable capital, v) was 3 shillings and the surplus-value (s) likewise 3 shillings. In parallel to all the time transferring the value of the means of production to the products, the worker then spends half the day producing new value to cover the value of his labour-power and the other half-day on creating surplus-value

appropriated by the capitalist. Together, a value of $3 + 3 = 6$ shillings is created by the production process, and the rate of surplus-value (s/v) is thus $3/3 = 100\%$.

If this particular capitalist raises the productivity of labour in his factory by 50 per cent, then 50 per cent more products are made (while also 50 per cent more means of production are used). As this can be done in the same labour-time (one day), wages and thus variable capital remain the same. If this happened in all society at once, the value of the products would fall, since less labour-time is embodied in them, but before that happens the first capitalist who installs these new methods can get hold of extra surplus-value, since he uses 50 per cent less labour-time than the social average to produce each amount of goods. His worker thus produces not 10 but 15 lb of yarn per day. As long as the value of each pound of yarn remains the same as before (3 shillings), the value-product ($v + s + s^*$, where s^* is extra surplus-value) is then no longer 6 but 9 shillings. Above the surplus-value s of 3 shillings, the capitalist can now happily register an extra surplus-value of 3 shillings, and his individual rate of surplus-value ($(s + s^*)/v$) rises to $6/3 = 200\%$. The capitalist sells 1 lb of yarn, not at its 'individual value' (corresponding to the actual time it took to produce it) but at its (societal or 'social') value that has not yet been affected by the rise in productivity.

If the more efficiently produced commodities are sold at their old price, the capitalist would lay hands on a considerably larger mass of surplus-value than before. But, as competitors also sell at the same old price, a better strategy is to lower prices just a little – keeping the price above the individual value of his more efficiently produced commodities, but still selling them slightly under their (societal) value. In this way, competitors may be driven out of business so that the successful capitalist can produce and sell even more commodities than before. 'Hence the capitalist who applies the improved method of production appropriates and devotes to surplus labour a greater portion of the working day than the other capitalists in the same business. He does as an individual what capital itself taken as a whole does when engaged in producing relative surplus-value'.⁴¹

In order to drive competitors out of business, the thrifty capitalist above might sell his yarn at a slightly lower price, perhaps 2.9 shillings per pound, while the societal value remains at 3 shillings per pound. This would reduce the extra surplus-value of one day's work from 3 to 1.5 shillings, diminishing the individual rate of surplus-value for this capitalist to $(3 + 1.5)/3 = 150\%$, which is still well above that of his competitors on the market.

However, the result of relative surplus-value production is an increase in the productivity of labour in a company, and when these new methods tend to spread to other capitalists and other branches, the productivity of labour tends to increase all over society at large. The improved methods of production cannot for long be monopolised by the individual capitalist. Competition forces other capitalists to also use similar methods, in order not to go bankrupt. From being an exception, the more rational method of production becomes the rule for everyone. The extra surplus-value for the first capitalist thereby disappears, since the new societal value of this particular commodity product has become equal to the value (or total labour-time spent to produce them) of his specific

commodities. The unbounded tendency of capital to grow is forced upon each individual capitalist through market competition, constantly forcing him to look for new modes of producing extra surplus-value by increasing the productivity of labour.

As every individual capitalist hunts for extra surplus-value, this in a societal scale results in an unstoppable expansion of relative surplus-value by a corresponding diminishing of necessary labour-time. As the capitalists who produce necessary means of subsistence for workers also improve their production methods, the socially necessary labour-time for producing these necessities will shrink. As a consequence, the necessary labour-time diminishes for the working class at large, and surplus-values increase for the capitalist class as a whole. Through this detour via individual extra surplus-value, all capitalists in a society profit from the increasing productivity in the branches that produce necessary means of subsistence for the working class, so that relative surplus-value can be accumulated on a societal scale.

In the little example above, when virtually all yarn producers have installed the new process, the value of the yarn product tends to fall back so that its total sum equals the total labour-time used. The 15 lb produced will therefore not have a (social) value that includes any extra surplus anymore. But as the yarn is also used for products that all workers need in their daily life, if their standard of living remains constant, the total value of their means of subsistence – and thus the value of labour-power – will be slightly reduced, so that our capitalist can still gain from having to invest a somewhat lower value of variable capital and thus can still enjoy a rate of surplus-value that remains at least a fraction higher than before the innovation was introduced.

One should not interpret absolute and relative surplus production as two totally separate and mutually excluding forms.⁴² There is between them an inner link that points towards the crisis tendencies of capital. When a normal working day has been stabilised, and there are not so many more workers to recruit for capitalist production, then the limits of absolute surplus-value production are reached. Capitalists then invest in machines rather than more wages, in order to become less dependent on the labour-power. Relative surplus-value production starts to dominate, but this places capital in a new and fateful contradiction. The more workers who are substituted with machines, the relatively less living labour is engaged, and this will in the long run tend to reduce the profits, since only living labour can create value and thus surplus-value. This will be further developed much later, in the third volume of *Capital*.

Also, it makes no sense talking of absolute or relative surplus-values except when there are *changes* in production. When more surplus-value is produced than before, it makes sense to ask from where it derives: either from extended labour-time or extended workforce (absolute surplus-value), or from a reduced necessary labour-time (relative surplus-value). Absolute surplus-value production is the basic form, with its division of the working day into necessary and surplus labour-time, but capital uses both forms simultaneously. Historical conditions determine which form dominates at a given time. After World War II, for

instance, the ensuing capitalist expansion built primarily on absolute surplus-value production, and it was not until the late 1950s, when ‘full employment’ was reached and no more profits could be made by increasing the working day or the workforce, that the methods of relative surplus-value production could start dominating. The so-called ‘third technological revolution’ with the intense development of electronics, computing and digitalisation was one such result.

The modes of surplus-value production are also linked to the crisis cycles and affect much of cultural and social life. Periods of economic booming, when relative surplus-value production rules, are characterised by a faith in technology, which was so strong in the 1960s and then again in the 1990s. In periods of stagnation, capitalists avoid investing in machines and fall back on methods of absolute surplus-value production, hostility against technological forces is more common and there is more talk of the need for everyone to be diligent and do one’s share in production, as was for instance the case in the 1970s and again in the current period.

Formal and real subsumption

When Marx analyses absolute and relative surplus-value production, he links them to the pair of formal and real subsumption of labour under capital. These are important concepts, as they hint on how deeply capitalist production modes affect social life. Marx’s own term for this was ‘subsumption’, but some English translations render this as ‘subjection’. Subsumption means subordination but also that what is dominant also determines the form and shape of that which is subjected.

Early industrial capitalists hired waged labour and appropriated their products to gain surplus-value from selling them, but did not really interfere in the labour process as such, which could continue more or less as before. The shoemaker continued to make the whole shoe, for instance.

At first capital subordinates labour on the basis of the technical conditions within which labour has been carried on up to that point in history. It does not therefore directly change the mode of production. The production of surplus-value in the form we have so far considered, by means of simple extension of the working day, appeared therefore independently of any change in the mode of production itself.⁴³

This is absolute surplus-value and an only formal subsumption or subjection of labour under capital. At that stage, the mode of production was assumed to be invariable, and capital took over and made profits out of the prevailing labour process, whereas the step to relative surplus-value implies that the mode of production or the labour-process itself is revolutionised.⁴⁴ As absolute surplus-value production was not enough for the capitalist, he had to start revolutionising the production process itself, for instance by reorganising it so as to increase the division of labour between workers who then had to specialise on certain minor moments in that production: cutting the skin, sewing the sole, etc.

Subsumption is a social process where labour is integrated in and dominated by capital. Formal subsumption is parallel to absolute surplus-value, since it means that labour is utilised for capitalist production but is itself not yet seriously affected by it. An example would be if a craftsman who was previously independent gets hired as a wage-labourer by a money-owner, but still can continue doing his craft as before. In real subsumption of labour under capital, the capitalist mode of production also transforms the concrete modes of working, for instance by introducing industrial techniques, time management, etc.

The production of absolute surplus-value turns exclusively on the length of the working day, whereas the production of relative surplus-value completely revolutionizes the technical processes of labour and the groupings into which society is divided.

It therefore requires a specifically capitalist mode of production, a mode of production which, along with its methods, means and conditions, arises and develops spontaneously on the basis of the formal subsumption [*Subsumtion*] of labour under capital. This formal subsumption is then replaced by a real subsumption.⁴⁵

This relates to the establishment of capitalism. When the 'specifically capitalist mode of production' has 'conquered all the important branches of production', it becomes 'the universal, socially predominant form of the production process', and once it has thus become 'the established and universal mode of production, the difference between absolute and relative surplus-value makes itself felt whenever there is a question of raising the rate of surplus-value'.⁴⁶

The dialectics of formal and real subsumption can be used as a metaphor for much wider historical processes, whereby capital infiltrates a growing number of aspects and dimensions of social life, with innovations in the organisation of work and the uses of technologies as key elements. In a draft, but omitted, chapter for *Capital*, 'Results of the Immediate Process of Production', Marx depicts how relative surplus-value transforms the whole mode of production:

With the production of relative surplus-value the entire real form of production is altered and a *specifically capitalist form of production* comes into being (at the technological level too). Based on this, and simultaneously with it, the corresponding *relations of production* between the various agents of production and above all between the capitalist and the wage-labourer, come into being for the first time.⁴⁷

He then argues that this 'development of the productive forces of *socialised labour*' and 'the *use of science* (the *general product* of social development), in the *immediate process of production*, takes the form of the *productive power of capital*' rather than of labour: 'If the production of absolute surplus-value was the

material expression of the formal subsumption of labour under capital, then the production of relative surplus-value may be viewed as its real subsumption'.⁴⁸

Notes

- 1 *Capital I*: 286 (Chapter 7).
- 2 *Capital I*: 284 (Chapter 7).
- 3 *Capital I*: 284 (Chapter 7).
- 4 *Capital I*: 283 (Chapter 7).
- 5 *Capital I*: 291–292 (Chapter 7).
- 6 *Capital I*: 449 (Chapter 13).
- 7 *Grundrisse*: 273.
- 8 *Capital I*: 293ff. (Chapter 7). One pound (lb) is 0.45 kg, and it will be apparent that the example is from the nineteenth century, as modern production techniques are immensely more productive.
- 9 *Capital I*: 296 (Chapter 7).
- 10 *Capital I*: 297–298 (Chapter 7).
- 11 *Capital I*: 300 (Chapter 7).
- 12 *Capital I*: 301 (Chapter 7).
- 13 *Capital I*: 301 (Chapter 7).
- 14 *Capital II*: 427 (Marx 1885/1992, Chapter 18). This volume is hereafter cited as *Capital II*.
- 15 *Capital II*: 427 (Chapter 18).
- 16 *Capital I*: 317 (Chapter 8).
- 17 *Capital I*: 324 (Chapter 9).
- 18 *Capital I*: 326 (Chapter 9).
- 19 *Capital I*: 418 (Chapter 11).
- 20 *Capital I*: 338–339 (Chapter 9).
- 21 *Capital III*: 953 (Chapter 48).
- 22 *Capital I*: 254 (Chapter 4).
- 23 *Capital I*: 381 (Chapter 10; capital's answer borrows from J.W. Goethe's *West-östlicher Diwan*, published in 1819).
- 24 *Capital I*: 179 (Chapter 2; translation corrected).
- 25 *Grundrisse*: 650 and 652.
- 26 The discussion of class formation leans on Broady (1976: 70–74).
- 27 *Grundrisse*: 512 (translation corrected).
- 28 *Capital I*: 92 ('Preface' to the first German edition).
- 29 *Capital I*: 342 (Chapter 10).
- 30 *Capital I*: 405 (Chapter 10).
- 31 *Capital I*: 382 (Chapter 10).
- 32 *Capital I*: 412–413 (Chapter 10).
- 33 *Capital I*: 416 (Chapter 10).
- 34 *Capital I*: 415 (Chapter 10).
- 35 For further discussions of the state in capitalism, see Holloway and Picciotto (1978) and Mosley (1982).
- 36 *Manifesto of the Communist Party* (Marx and Engels, 1848, section I).
- 37 *Capital I*: 929 (Chapter 32).
- 38 *Capital I*: 434 (Chapter 12).
- 39 *Capital I*: 431–432 (Chapter 12).
- 40 *Capital I*: 322 (Chapter 9).
- 41 *Capital I*: 436 (Chapter 12).
- 42 The following builds on Broady (1976: 68–70).
- 43 *Capital I*: 425 (Chapter 11).

- 44 *Capital I*: 432 (Chapter 12).
- 45 *Capital I*: 645 (Chapter 16).
- 46 *Capital I*: 646 (Chapter 16).
- 47 *Capital I*: 1024 (Appendix: Results of the Immediate Process of Production, Marx, 1864/1990, hereafter cited as Results ...).
- 48 *Capital I*: 1024 and 1025 (Appendix: Results ...).

6 Production

The goal and driving motive of capital is to maximise valorisation, expressed through the rate (s/v) and mass ($s/v \times V$) of surplus-value. This is done by extending the working day, by employing as many workers as possible and by increasing the productivity of labour to get hold of an extra surplus-value, which on a societal scale leads to a progressive increase of relative surplus-value. *Capital* Volume I, Chapter 12 introduced this concept of relative surplus-value, as an opening to Part 4 (Chapters 12–15), which is devoted to a more detailed overview over methods for producing this relative surplus-value. The following Part 5 (Chapters 16–18) then offers some further examples of how absolute and relative surplus-value are produced. Not least the brief Chapters 12 and 16 help in clarifying the interrelation between these two basic modes of valorisation. The latter chapter starts with a useful summary of what has so far been said about capitalist production and then continues by arguing that surplus-value is no natural result of human labour, but dependent upon capitalist relations of production. Part 6 (Chapters 19–22) is a condensed overview of wages. All these central parts of this volume offer a mix of theoretical discussion, economic calculations and almost journalistic narrative, which will here be summarised in a number of sections.

The intermediary chapters in Part 4 offer a fascinating history of the emergence and growth of industrial production. Section 3 of Chapter 15 is particularly interesting, in showing how industrial workers are alienated by the capitalist organisation of production, and is well worth a close reading. In the three Chapters 13–15, Marx describes in rough (both historical and logical) order each of the three main methods for producing relative surplus-value: (1) *simple co-operation*; (2) *systematic division of labour in manufacture*; and (3) *machinery and modern industry*, where scientific knowledge is applied to technological know-how. Together, these methods change the fundamental processes of production and give them a specifically capitalist form that involves a real subsumption of labour under capital. Co-operation and manufacture mainly affect the subjective aspects of production – the organisation of labour – while industrial machines deeply affects its objective aspects in terms of the means of production.

In manufacture the organization of the social labour-process is purely subjective: it is a combination of specialized workers. Large-scale industry, on the

other hand, possesses in the machine system an entirely objective organization of production, which confronts the worker as a pre-existing material condition of production.¹

These three forms are logical facets and levels of real subsumption and relative surplus production, but they also roughly correspond to historical stages in capitalist development. Simple co-operation is already found before capitalism, in niches of feudal society, while the other two forms emerge with the establishment of capitalism. In Europe at least, the period of manufacture lasted roughly from the mid-sixteenth to the late eighteenth century, though its methods continued to overlap with industrialism until today, as systematic division of labour is also an integrated part of industrial machinery. Modern industry still seems to dominate on a global scale, though various economic theories suggest that contemporary capitalism has moved into yet another phase that some call 'post-industrial'. Even if the precise methods of production seem in some respects to have been revolutionised by new technologies of communication and finance, one may well recognise most of the facets of industry in current hi-tech production also, including for instance the radical division of labour in the telecom industry.

Reading Marx's absorbing descriptions of the horrors and atrocities of capitalist production may sometimes induce a feeling of relief, as working life seems in many ways so much more human today. However, even though health and the length of life have certainly improved considerably since the nineteenth century, thanks to concerted efforts by organised workers on legislating bodies, it must be remembered that on a global scale, one-sided and routinised labour remains the dominant form, where mass products are made for instance in Asian subcontracting firms for multinational corporations. And also in the most modern centres of advanced technological labour in the West, sophisticated methods of exploitation and labour intensification continue to dominate, where for instance call centres or IT enterprises do their best to extract maximal surplus-value from their manual as well as their intellectual labourers, through a one-sided and monotonous division of labour, unbounded overtime and rising demands for intensity of labour, etc.

Simple co-operation

Historically, the capitalist mode of production began when groups of craftsmen of some kind, for instance spinners or carpenters, started working under the same roof, employed as labourers by one capitalist. Each worker then still performed all steps of production for that particular commodity, but they shared the same premises and worked beside each other. This in three ways increased value production.²

First, they could share some means of production, such as buildings, storage space, heating and lighting. Lighting up a space for 100 weavers does not cost fully 100 times as much as for one weaver. This diminished the value of each commodity produced, even though raw materials and labour-power costs

remained the same, since a lesser fraction of constant capital was transferred to each single product.

Second, just sitting and working together makes each worker more efficient and diligent. Social psychology was born at roughly the same time and could show that two workers doing the same job beside each other were considerably quicker than if they worked in separation. This has psychological causes in how people tend to be affected by their social environment and a kind of mutual competition, but the transfer of knowledge is also a contributing factor, as it is always helpful to have a neighbour worker to ask when problems arise. This diminishes the value of each single commodity and gives rise to an extra surplus-value.

Third, individual variation is levelled out, so that individual achievements sum up to an average level. A lesser capitalist who hires just 10 weavers may have bad luck and get stuck with particularly slow or sloppy ones, but if he hires 100 weavers, the total productivity will tend to be almost at the average level. This reduces the risk for the capitalist who organises this co-operation.

Even this step does something important to the fundamental relation between capital and labour:

Being independent of each other, the workers are isolated. They enter into relations with the capitalist, but not with each other. Their co-operation only begins with the labour process, but by then they have ceased to belong to themselves. On entering the labour process they are incorporated into capital. As co-operators, as members of a working organism, they merely form a particular mode of existence of capital. Hence the productive power developed by the worker socially is the productive power of capital. The socially productive power of labour develops as a free gift to capital whenever the workers are placed under certain conditions, and it is capital which places them under these conditions. Because this power costs capital nothing, while on the other hand it is not developed by the worker until his labour itself belongs to capital, it appears as a power which capital possesses by its nature – a productive power inherent in capital.³

Systematic division of labour in manufacture

Organising simple co-operation between many labour-powers opens the historical door to a second method of raising the productivity of labour. The different labour moments needed to produce an item which could be systematically divided between the labourers assembled under one roof. Among the 100 weavers, perhaps 50 loom the web, fetching new cotton when needed, and take down the finished fabrics, so that the other 50 can focus entirely on the weaving work itself. The resulting commodity is now the product no longer of an independent craftsman but of a group of workers where each individual only performs an increasingly limited step in the process. The capitalist manufactures of the seventeenth and eighteenth centuries were large workshops

where many labourers performed a systematically divided mass production that was still based on handicraft work. The result was ‘a productive mechanism whose organs are human beings’.⁴ It had several wide-ranging consequences for workers and for capitalists.

The workers lost the ability to produce whole products. Their previously composite labour process became a one-sided, highly specialised and monotonous job. Manufacture creates a class of so-called unskilled labourers, who develop a one-sided speciality to perfection, at the expense of the whole of a man’s working capacity. Not least for these unskilled labourers, but also for the skilled ones, learning and education costs are minimal, since each just needs to know how to perform a more limited set of movements. The result is that the value of labour-power falls.⁵

In this way, there emerges a new kind of hierarchical stratification among workers, from technically qualified specialists to simple helpers and routine workers who need no education at all. This creates new divides between workers, especially as the more privileged among them are forced to serve the management in controlling the others. All such divisions in turn counteract unity and solidarity among workers. Each individual worker lost overview over the whole production process, and his intellectual resources were not needed anymore. A basic division between manual and intellectual work arose, where the latter, intellectual aspects of planning and organising work were divorced from the manual workers and taken over by specialists hired by the capitalist for that purpose. These specialists need more education, and their labour-power therefore has higher value. This difference tends to be interpreted with a moral undertone, as if intellectual work was in some sense ‘finer’ than manual work. This falls back on an old historical tradition of how to validate the dichotomy between mind and matter, brains and bodies, which in capitalism is thus reinforced by a difference in reproduction costs. Most manual workers then tend to experience intellectual labour as hostile and alien to them. However, that intellectual labour is equally subsumed under capital as is manual labour, since capital uses both science and body labour for producing surplus-value.

Systematic division of labour thus has many disadvantages for the worker. The value of his labour-power is reduced due to shrinking learning costs, and it may even become impossible to sell that labour-power to anybody else, as a very limited and one-sided job can only be used in very limited kinds of production processes.

If, in the first place, the worker sold his labour-power to capital because he lacked the material means of producing a commodity, now his own individual labour-power withholds its services unless it has been sold to capital. It will continue to function only in an environment which first comes into existence after its sale, namely the capitalist’s workshop.⁶

New kinds of co-ordinating tasks were at first performed by the capitalists or masters themselves, but soon allocated to a group of administrators and supervisors,

employed to direct and co-ordinate the increasingly complexly organised labour process. 'An industrial army of workers under the command of a capitalist requires, like a real army, officers (managers), and NCOs (foremen, overseers), who command during the labour process in the name of capital. The work of supervision becomes their established and exclusive function'.⁷

Manufacture further has an important impact on urbanisation, which has had enormous repercussions on the whole of society and everyday life. Marx does not develop it further at this point: 'The foundation of every division of labour which has attained a certain degree of development, and has been brought about by the exchange of commodities, is the separation of town from country. One might well say that the whole economic history of society is summed up in the movement of this antithesis. However, for the moment we shall not go into this'.⁸

Systematic division of labour raises productivity and abbreviates the production time for each product. Twenty weavers can perhaps make 200 lb of yarn per day, but if they instead divide all labour moments between them, they may perhaps instead manage to make 300 lb per day, since the monotonous repetition of one single movement is much faster than having to make several complex moves after each other. A pound of yarn produced by capitalist manufacture thus contains less labour-time than if it was produced by an independent weaver.

Capitalists with the most efficient and rational methods of production will manage to appropriate an extra surplus-value in relation to competitors with less productive methods. When this development takes place in branches producing necessary means of subsistence for workers, the value of these – and thus of labour-power – is reduced. This leads to a production of relative surplus-value for the capitalist class as a whole. The rise in productivity through division of labour will therefore only be favourable to capital, while instead being oppressive for workers who tend to get one-sided and reduced skills.

What is lost by the specialized workers is concentrated in the capital which confronts them. It is a result of the division of labour in manufacture that the worker is brought face to face with the intellectual potentialities [*geistige Potenzen*] of the material process of production as the property of another and as a power which rules over him. This process of separation starts in simple co-operation, where the capitalist represents to the individual workers the unity and the will of the whole body of social labour. It is developed in manufacture, which mutilates the worker, turning him into a fragment of himself. It is completed in large-scale industry, which makes science a potentiality for production which is distinct from labour and presses it into the service of capital.⁹

Systematic division of labour increases the productivity of labour but simultaneously also increases the individual labourer's dependence on the capitalist. Marx vividly describes the crippling effects of the social division of labour on human beings, citing a series of sources and experts from the eighteenth and nineteenth centuries.

Some crippling of body and mind is inseparable even from the division of labour in society as a whole. However, since manufacture carries this social separation of branches of labour much further, and also, by its peculiar division, attacks the individual at the very roots of his life, it is the first system to provide the materials and impetus for industrial pathology.¹⁰

The division of labour in manufacture is at the same time an effective instrument for raising the productivity of labour, but to the cost of the labourers themselves:

By dissection of handicraft activity into its separate components, by specialization of the instruments of labour, by the formation of specialized workers and by grouping and combining the latter into a single mechanism, the division of labour in manufacture provides the social process of production with a qualitative articulation and a quantitative proportionality. It thereby creates a definite organization of social labour and at the same time develops new, and social, productive powers of labour. [...] Not only does it increase the socially productive power of labour for the benefit of the capitalist instead of the worker; it also does this by crippling the individual worker. It produces new conditions for the domination of capital over labour. If, therefore, on the one hand, it appears historically as an advance and a necessary aspect of the economic process of the formation of society, on the other hand, it appears as a more refined and civilized means of exploitation.¹¹

Marx shows how this historical process was by no means smooth. When capitalists or their employed representatives (supervisors etc.) co-ordinate the labour process, this activity tends to aim at maximal exploitation and maximal surplus-value. The capitalist direction of the labour process results in disturbances in the concrete co-operative labour tasks, which prevent the production process from running smoothly. For instance, capitalists tend to raise the speed of work as much as possible and, when workers protest, this will be seen as indolence and obstruction. When too many products are defect waste, the capitalist will (perhaps) first understand that there is an upper limit to how fast and much anyone can work. Another example concerns safety regulations. Safety measures cost money and not before severe casualties appear and interrupt production will the capitalist be forced to understand that some protection measures are necessary.

Such conflicts of interest have always been present and indicate that there are no really peaceful or democratic ways of co-operating when the production process is organised in such a hierarchic manner. Marx compares manufacture as capitalist dictatorship to other coercive institutions such as schools, armies or prisons. In the last century, trade unions have often managed to at least some degree to influence the organisation of production. These are important measures that may in some respects make at least some modern labour more physically bearable than in the nineteenth century, and the balance of power between the

classes is not automatically given in advance, so there is a point in resisting excessive exploitation at all levels. The struggle along these lines has historically been an important motor for class-consciousness and workers' associations to develop. Yet, Marx would be extremely sceptical about the long-term chances for such a strategy, as long as the basic relationship between capital and labour is not revolutionised at its very foundations, in the form of commodity production itself.

Machinery in industry

The systematic division of labour in the manufactures of the eighteenth century still rested on individual craftsmanship, with only a limited development of mass production. The methods of producing relative surplus-value needed to be refined in order to release the full force of capital's expansion. This demanded a development of the technical means of production. With the development of simple tools into a system of machines, the capitalist mode of production found a technical basis for its limitless valorisation. Manufactures were transformed into factories, giving birth to an industrial world.

Machines offered an opportunity to temporarily get hold of extra surplus-value for those who first introduced them and then create lasting relative surplus-value, as these machines tended to reduce the value of labour-power on a societal scale. Competition between capitalists forced them to continually improve their industrial machinery. He who first introduced a machine could conquer extra surplus-value since he could make products with less labour-power than his competitors, while still selling them at (or close to) the standard price level, so that the 'individual value' of his products were below their societal value. When the competitors have also installed the same new production methods, the (societally determined) value sinks and the extra surplus-value vanishes. What remains is the relative surplus-value created by a diminished value of labour-power, when new machines make it cheaper to produce the means of subsistence needed for reproducing workers' lives.

When a capitalist uses more-efficient machines, less labour-power will be spent on each product, as more products are made in the same amount of time. This makes it possible for him to get rid of some of his workers, while still gaining a larger mass of surplus-value, thanks to the extra surplus-value produced by his remaining labourers. When that extra surplus-value disappears again, it becomes evident that all surplus-value is produced by the workers employed in that factory and thus not from the machines.

Competition for extra surplus-value therefore has two results for capital (and capitalists) as a whole. On the one hand, by improving machinery, it increases the productivity of labour on a societal scale, makes the necessary means of subsistence cheaper, diminishes the necessary labour-time and thus increases surplus labour-time. The result is that the rate of surplus-value (s/v) increases, since surplus-values (s) grow and the value of labour-power (corresponding to variable capital, v) shrinks.

On the other hand, the same competition tends to reduce the number of workers employed, relative to the total size of production, since a smaller amount of labour-time is needed to produce any given amount of products. In producing relative surplus-value through the use of machinery, the rate of surplus-value is increased while workers are sacked, so that the total variable capital (V) shrinks. In the long run, this tends to counteract the growth of the mass of surplus-value ($s/v \times V$) with the higher rate of surplus-value (s/v). While being the technical foundation for fully developed capitalism, machines thus have a contradictory influence on the production of surplus-value, as they increase one of its two key factors (the rate of surplus-value, s/v), while at the same time shrinking the other (total variable capital, V).

Marx makes several simplifications here, by isolating one single factory from the rest of society, by assuming that all commodities are sold at their true values so that for instance variable capital may be identified with the total sum of wages and by leaving constant capital outside his calculations. But the conclusion is that, at the end of each round of technological modernisation of machinery, all capitalists exploit each worker more than before, since the rate of surplus-value increases so that there is more surplus produced for each salary paid but, as they simultaneously get rid of superfluous workers, the mass of surplus-value tends to be threatened. In the long run, this leads to a contradiction between the rising rate of surplus-value and the diminishing number of workers producing value. In a much more elaborate form and on a more concrete level, a similar contradiction is further explored in Volume III: the falling tendency of the rate of profit.

Previous chapters have followed the successive evolution of the inner contradictions of the commodity form, as it was first externalised into a dialectic of commodities and money and then put in motion in the circulation formula, $M \rightarrow C \rightarrow M'$, pulling in labour-power as that special valorising commodity that underpins the dynamic existence of capital as unlimited self-valorisation. With machinery, this incessantly expansive movement has found a most suitable technical form, but has also continued to produce new contradictions, now between the rising rate of surplus-value and the falling numbers of workers. The unlimited $M \rightarrow C \rightarrow M'$ movement thus creates its own limit.

The first capitalist who uses new methods will not immediately suffer from any such limit, but instead will get an extra surplus-value that expands his mass of surplus in a welcome way. But as this extra surplus-value vanishes once the competitors have installed the same new production methods, he will be painfully aware of these immanent limitations and contradictions. If the process could ever lead to a fully automatised production, then capital valorisation would fall towards nil. By developing the productivity of labour, capital thus tends to undermine its own basis in the form of human labour-power, on which exploitation is based.

The capitalist will therefore try to find other ways to attract extra surplus-value, namely by lengthening the working day. This induces a complicated

effect where capitalists as a result tend to combine relative with absolute surplus-value production methods.

Hence there is an immanent contradiction in the application of machinery to the production of surplus-value, since, of the two factors of the surplus-value created by a given amount of capital, one, the rate of surplus-value, cannot be increased except by diminishing the other, the number of workers. This contradiction comes to light as soon as machinery has come into general use in a given industry, for then the value of the machine-produced commodity regulates the social value of all commodities of the same kind; and it is this contradiction which in turn drives the capitalist, without his being aware of the fact, to the most ruthless and excessive prolongation of the working day, in order that he may secure compensation for the decrease in the relative number of workers exploited by increasing not only relative but also absolute surplus labour.¹²

The result of the capitalist manner of using machinery is thus that new and more efficient machines, while potentially capable of diminishing work-time for all, instead tend to transform as much leisure time as possible into labour-time for capital. The introduction of machinery in the early nineteenth century did not at all save labour for the workers. Quite the contrary: the result was an immense increase in labour-time.

There is another reason why long working days are needed where machines are used. More complicated machines tend to be more expensive, and have a relatively long life before they are fit for the scrapyard. However, competition for new extra surplus-value forces capitalists to repeatedly install new and even more advanced machines, which makes the old ones become technically obsolete and thereby lose their value. Each capitalist tries to prevent this from happening to his machinery, by letting living labour use it up as fast as possible, so that as much as possible of its full value has been transferred onto the products when it is replaced by new machines. The shorter the time period is during which the total value of machines is transferred to the products, the less is the danger of losing money by the devaluation of the aged machinery. The value of a machine is transferred in a shorter time span, the longer the machine is used every day, and thus the longer the working day is.

This enormous lengthening of the working day had catastrophic consequences for the British working class in the nineteenth century. There was a terrifying death rate so that, in the industrial centre of Manchester, the average life of a labourer lasted only 17 years in 1875, compared to 38 years for the upper-middle class.¹³ There is even to this day a considerable difference in life expectations between workers and members of more privileged classes, though the gaps are not equally wide today as they were then.

This was the misery that convinced parliament of the necessity to legally regulate the working day, but this victory had to be won by intense class struggle. As was mentioned in a previous chapter, the conflicts around the

working day continue, with shifting force, and the 8-hour working day has more or less remained a kind of norm in most parts of the world.

Machines also pushed the division of labour partly in new directions, as the physical strength of workers became less important and operations could be further simplified for many of them. The factory distributes workers among specialised machines and departments, extending manufacture's horizontal division of labour and adding new hierarchies.

The essential division is that between workers who are actually employed on the machines (among whom are included a few who look after the engine) and those who merely attend them (almost exclusively children). [...] In addition to these two principal classes, there is a numerically unimportant group whose occupation it is to look after the whole of the machinery and repair it from time to time, composed of engineers, mechanics, joiners etc. This is a superior class of workers, in part scientifically educated, in part trained in a handicraft.¹⁴

Differences in wages between workmen, assistants and technicians correspond to different education costs. Workers who need several years of training must be able to reproduce their labour-power over a correspondingly shorter period of working life. Modern industry in principle makes it possible to overcome the extreme fragmentation of labour in manufacture, if every worker could have full education and overview over the production process, but the capitalist mode of organising work reproduces that same fragmentation by reducing workers to living fittings to the machines.

Families

The relative physical easiness of machine labour also made it possible to use women and children as labourers.

The value of labour-power was determined, not only by the labour-time necessary to maintain the individual adult worker, but also by that necessary to maintain his family. Machinery, by throwing every member of that family onto the labour-market, spreads the value of the man's labour-power over his whole family. It thus depreciates it.¹⁵

With great variations between regions and across time, women have since the nineteenth century continued to take part in capitalist production, even though they often tend to simultaneously have the main responsibility for reproduction work at home. Industrial machinery made it easier to use female workers, and the pressure on the value of labour-power forced most women to become wage-labourers in order for families to survive. Female wage-labour expanded the 'industrial reserve army' and pressed wages downward. It also increases the demand for rationalising the housework needed to reproduce

labour-power, by introducing facilitating machines for cleaning, washing and cooking, as well as co-operative or collectivised care for children, the sick and the elderly. This has in the long run tended to transform nuclear families in various ways, but the dominant modes of gender relations in family and work also continue to depend on economic cycles and regional traditions.¹⁶

In some phases and regions, men have dominated industrial wage-labour, whereas most women carried the main responsibility for housework, combined with part-time service jobs. This gave men and women contrasting functions, mirrored in ideological and cultural gender roles. Pre-capitalist gender differences were transformed and given a new economic foundation in the valorisation process, which separated production from consumption, with the market mediating between them and families consuming their means of existence as commodities.

When performed by a family member in the home, housework produces use-values and value but no surplus-value, unless it is done by someone hired by capital. Being concrete-private labour it reproduces labour-power (of those family members who are wage-labourers) as a commodity, but the housewife's work is no wage-labour and her labour-power is no mobile commodity and not sold on any labour market. (With hired housemaids, things are of course different and the gender roles may differ from this standard model.)

The main two functions of the family are to recreate the worker's labour-power day by day, and to secure that children grow up to deliver useable labour-power in the next generation. Families additionally also have ideological functions. Traditional capitalism has made all wages appear as payment for men's labour (the fetish character of the wage-form, to be discussed soon below), supposed to 'support' housewives, making them dependent on male income, confined in the nuclear family. At the same time, housework has a use-value-based orientation towards care and concrete labour that has sometimes been experienced as a positive contrast to materialistic and abstract wage-labour.

Even though machinery has been introduced into housework, particularly in periods of boom or war, when the female industrial reserve army was required, capital has mostly been relatively uninterested in rationalising housework. Statistics tend to show that housework takes almost as much time today as a long time ago, partly because, while machines have rationalised part of it, new tasks have been added due to rising demands for personal care.

Capitalism has in many ways reinforced gender division and oppression but, when markets needed more workers, the female wage-labour force has expanded. In prosperous periods, capital tends to even out gender differences, whereas in periods of crisis, women tend to be forced back home.

Left-wing and feminist movements have developed rather contradictory strategies regarding housework. Some argue that women can only be free through professional wage-labour on equal terms, as this is the only way they can experience the sources of exploitation and find opportunities for collective protest. From such a perspective, housework must be evenly distributed among all family members and be maximally reduced in time. Others instead see housework in terms of an almost utopian use-value-oriented alternative to

wage slavery. Both positions can find some support in different arguments by Marx, but there is no full and coherent treatment of these issues in *Capital*.

Intensity of labour

When the length of the working day had been regulated by state law, other means of expanding surplus-values were needed, for instance by overtime work. One way to increase the intensity of using machines was (and still is) through shift work. If two sets of labourers work 12 hours each, or three sets of labourers work 8 hours each, the machines need never be turned off and production needs never to stand still. Variable capital thereby increases in relation to constant capital, more surplus-value is extracted and the value of the machines is more rapidly transferred to the goods produced. But the main method that Marx describes is through intensifying labour.

Labour is intensified by raising the work tempo or by letting workers do more things at the same time, for instance serving two machines instead of one. Without changing the labour process as such, this method makes the worker more productive by intensifying labour performed. The capitalist systematically uses the machines to press more labour out of each worker in the same time. This temporarily increases the extra surplus-value gained, but if all competitors treat their workers similarly, this surplus labour will not increase the value of the products, which is always measured by the amount of socially necessary labour-time spent on their production.

In manufacture, this heightened tempo of work demanded an almost military discipline, guarded by supervisors who functioned as slave drivers. In industrial production, the machines themselves could serve a similar function, for instance by accelerating the speed of conveyor belts so that all workers in an assembly line are forced to perform their movements at a higher speed.

Marx shows how improved machinery tends to put increasing pressure on workers, and he discusses important effects of industrialism on the working class as an issue of increased intensity of labour.

Capital asks no questions about the length of life of labour-power. What interests it is purely and simply the maximum of labour-power that can be set in motion in a working day. It attains this objective by shortening the life of labour-power, in the same way as a greedy farmer snatches more produce from the soil by robbing it of its fertility.¹⁷

Permanently increased intensity of labour, especially when combined with longer working days, tends to shorten the expected length of life of the worker. This may force the daily value of labour-power to rise, since its reproduction costs will increase:

The value of a day's labour-power is estimated, as will be remembered, on the basis of its normal average duration, or the normal duration of the life

of a worker, and on the basis of the appropriate normal standard of conversion of living substances into motion as it applies to the nature of man. Up to a certain point, the increased deterioration of labour-power inseparable from a lengthening of the working day may be compensated for by making amends in the form of higher wages. But beyond this point deterioration increases in geometrical progression, and all the requirements for the normal reproduction and functioning of labour-power cease to be fulfilled. The price of labour-power and the degree of its exploitation cease to be commensurable quantities.¹⁸

An increase in the intensity of labour affects value production in similar ways as an increase in the productivity of labour, which is also what it actually is, as the worker's ability to work fast belongs to the productive forces. 'Increased productivity and greater intensity of labour both have a similar effect'.¹⁹ In the sections about the effects of machinery on the labourer, Marx focuses on intensification, as it makes a difference if the speed of labour accelerates and pauses are cancelled, or if new machines demand new bodily moves at roughly the same speed. Marx describes how working-class revolt forced parliaments to compulsorily shorten and normalise the working day, thereby stopping a further increase of absolute surplus-value. This forced capital to instead aim for relative surplus-value by installing better machines, which in turn changes the nature of this relative surplus-value.

In general, relative surplus-value is produced by raising the productivity of the worker, and thereby enabling him to produce more in a given time with the same expenditure of labour. The same amount of labour-time adds the same value as before to the total product, but this unchanged amount of exchange-value is spread over more use-values. Hence the value of each single commodity falls. But the situation changes with the compulsory shortening of the hours of labour. This gives an immense impetus to the development of productivity and the more economical use of the conditions of production. It imposes on the worker an increased expenditure of labour within a time that remains constant, a heightened tension of labour-power, and a closer filling-up of the pores of the working day, i.e. a condensation of labour, to a degree which can only be attained within the limits of the shortened working day. This compression of a greater mass of labour into a given period now counts for what it really is, namely an increase in the quantity of labour. In addition to the measure of its 'extensive magnitude', labour-time now acquires a measure of its intensity, or degree of density.²⁰

This last sentence should not be misinterpreted. If the intensity of labour is heightened generally, in all branches, this will never increase the amount of value that is created. The value of a commodity is the socially necessary labour-time used to produce it, and this concept of societal necessity presupposes an

average level of intensity. What Marx writes about intensity of labour does not imply that socially necessary labour-time is no longer the sole measure of value and that the mass of labour-power spent in that time would be an additional factor. This can only happen temporarily, as an extra surplus-value production that gives a specific capitalist comparative advantages until his competitors catch up.

The value created varies with the extent to which the intensity of labour diverges from its normal social level of intensity. A given working day, therefore, no longer creates a constant value, but a variable one; in a day of 12 hours of ordinary intensity, the value created is, say, 6 shillings, but, with increased intensity, the value created may be 7, 8 or more shillings. [...]

If the intensity of labour were to increase simultaneously and equally in every branch of industry, then the new and higher degree of intensity would become the normal social degree of intensity, and would therefore cease to count as an extensive magnitude.²¹

Antagonisms and ambiguities

The economic processes induced by machinery are no automatic calculations. Instead, they feed into the continued history of struggles between the classes that give expression to fundamental inner contradictions in capitalist commodity production.

The struggle between the capitalist and the wage-labourer starts with the existence of the capital-relation itself. It rages throughout the period of manufacture. But only since the introduction of machinery has the worker fought against the instrument of labour itself, capital's material mode of existence. He is in revolt against this particular form of the means of production because it is the material foundation of the capitalist mode of production.

[...] It took both time and experience before the workers learnt to distinguish between machinery and its employment by capital, and therefore to transfer their attacks from the material instruments of production to the form of society which utilizes those instruments.²²

Workers all the time protested against the reckless increase of the intensity of labour, which threatened their physical and mental survival. This recreates the struggle between labour and capital on a new level. In a previous chapter, it was the conflict over the working day that stood in focus, but the fundamental problem remains the same. The equal exchange between labour and capital could not determine the length of the working day, which was therefore the subject of conflicts that led to some form of legislation. In the same manner, this law of equal value cannot determine how much labour intensity can be

extracted from each worker in a normal working day. The normal intensity of labour is again determined by class struggle.

Yet, the struggle at this level is more difficult than on the previous level, since the intensity of labour increases when machines and methods of production are installed that are new to the worker and therefore the intensification effect may not be experienced as such at once. At the same time, workers can sometimes also use new machines to hold back the intensification of labour. In the beginning, the supervisors do not quite know how fast the new machines can be used, and the workers may then use various methods to keep down that intensity, for instance by stalling when a time and motion study is made. This way they can gain a few minutes. The example shows that daily wage-labour in a factory is not just concrete labour but also integrated as a microelement of class struggle against capitalist exploitation.

There has been until today an ongoing intensification of labour, in combination with more and more advanced machinery. Intensified labour cannot be combined with a too long working day. Capitalists have therefore accepted the 8-hour working day, not due to kindness, but out of sheer economic necessity. A higher work tempo is only possible if the working day is not excessively long, and a limitation of that working day on the other hand also makes possible an intensification of labour.

Capital's tendency, as soon as a prolongation of the hours of labour is once for all forbidden, is to compensate for this by systematically raising the intensity of labour, and converting every improvement in machinery into a more perfect means for soaking up labour-power. There cannot be the slightest doubt that this process must soon lead once again to a critical point at which a further reduction in the hours of labour will be inevitable.²³

Through the introduction of machines, with first steam engines and later electricity as key innovations, the labour process becomes increasingly independent of the strength and skill of the individual worker, who tends to become a powerless extension of the machine. The simplification of working operations could in principle make it possible to get rid of the one-sided division of labour in manufacture. Workers could well get a more diverse field of action that would give them better insights into the overall processes of concrete production. But this would demand technical education, which the capitalists are unwilling to pay for. They were also worried that too educated workers would risk conquering insights that made capitalists obsolete and rebalance class struggle to the advantage of the working class. Therefore, the one-sidedness of concrete labour was continued and even reinforced with machinery. The material effects of machine technology on concrete labour thus could go in many directions, but the capitalist mode of utilising this technology selected the direction in which the power of workers was maximally limited. Marx vividly depicts how industrial machinery affects the working class as a

whole, as well as each individual worker. He describes how the factory inherits manufacture's old division of labour, fettering workers as life-long servants to one and the same machine: 'Machinery is misused in order to transform the worker, from his very childhood, into a part of a specialised machine'.²⁴

In handicrafts and manufacture, the worker makes use of a tool; in the factory, the machine makes use of him. [...] In manufacture the workers are parts of a living mechanism. In the factory we have a lifeless mechanism which is independent of the workers, who are incorporated into it as its living appendages. [...]

Factory work exhausts the nervous system to the uttermost; at the same time, it does away with the many-sided play of the muscles, and confiscates every atom of freedom, both in bodily and in intellectual activity. Even the lightening of the labour becomes an instrument of torture, since the machine does not free the worker from the work, but rather deprives the work itself of all content. [...] Owing to its conversion into an automaton, the instrument of labour confronts the worker during the labour-process in the shape of capital, dead labour, which dominates and soaks up living labour-power. The separation of the intellectual faculties of the production process from manual labour, and the transformation of those faculties into powers exercised by capital over labour, is, as we have already shown, finally completed by large-scale industry erected on the foundation of machinery. The special skill of each individual machine-operator, who has now been deprived of all significance, vanishes as an infinitesimal quantity in the face of the science, the gigantic natural forces, and the mass of social labour embodied in the system of machinery, which, together with those three forces, constitutes the power of the 'master'.²⁵

As capitalists never voluntarily shorten the working day, since they never want to miss any surplus-value, that limitation demands continued struggle on the part of the working class. Capitalist production is eminently dynamic and always in transformation, and it therefore demands of workers to be ready to respond to new and innovative modes of surplus-value production.

Modern industry never views or treats the existing form of a production process as the definitive one. Its technical basis is therefore revolutionary, whereas all earlier modes of production were essentially conservative. By means of machinery, chemical processes and other methods, it is continually transforming not only the technical basis of production, but also the functions of the worker and the social combinations of the labour process. At the same time, it thereby also revolutionizes the division of labour within society, and incessantly throws masses of capital and of workers from one branch of production to another.²⁶

In medieval feudalism, craftsmen had to go through years of training in order to fully master their work. Industrial capitalism initially reduces this demand. However, machinery leads to a flexibility of production that requires a similar flexibility on the part of the workers, so that they can easily adapt to new modes of production and perhaps also move between different branches, when the labour market forces them to do so. Modern industrialism therefore also coincided with legislated compulsory school attendance, which has since then been prolonged and is now usually 9–10 years in most industrialised countries. While the value of labour-power diminishes due to the rise in productivity of labour, it on the other hand tends to grow because of increasing costs for the necessary provision of general basic education.

Marx repeatedly asserts and tries to show that ‘the development of the contradictions of a given historical form of production is the only historical way in which it can be dissolved and then reconstructed on a new basis’.²⁷ When discussing how authorities worry about the degeneration of family ties, Marx underlines the ambivalent character of capitalism, giving rise to misery while simultaneously creating possibilities for future liberation, once the capitalist form has been abolished:

However terrible and disgusting the dissolution of the old family ties within the capitalist system may appear, large-scale industry, by assigning an important part in socially organized processes of production, outside the sphere of the domestic economy, to women, young persons and children of both sexes, does nevertheless create a new economic foundation for a higher form of the family and of relations between the sexes. It is of course just as absurd to regard the Christian-Germanic form of the family as absolute and final as it would have been in the case of the ancient Roman, the ancient Greek or the Oriental forms, which, moreover, form a series in historical development. It is also obvious that the fact that the collective working group is composed of individuals of both sexes and all ages must under the appropriate conditions turn into a source of humane development, although in its spontaneously developed, brutal, capitalistic form, the system works in the opposite direction, and becomes a pestiferous source of corruption and slavery, since here the worker exists for the process of production, and not the process of production for the worker.²⁸

The generalised factory legislation that results from these struggles ‘accelerates the concentration of capital and the exclusive predominance of the factory system’, with highly ambiguous consequences:

It destroys both the ancient and the transitional forms behind which the dominion of capital is still partially hidden, and replaces them with a dominion which is direct and unconcealed. But by doing this it also generalizes the direct struggle against its rule. While in each individual workshop it enforces uniformity, regularity, order and economy, the result of the immense impetus given to technical improvement by the limitation and

regulation of the working day is to increase the anarchy and the proneness to catastrophe of capitalist production as a whole, the intensity of labour, and the competition of machinery with the worker. By the destruction of small-scale and domestic industries it destroys the last resorts of the 'redundant population', thereby removing what was previously a safety-valve for the whole social mechanism. By maturing the material conditions and the social combination of the process of production, it matures the contradictions and antagonisms of the capitalist form of that process, and thereby ripens both the elements for forming a new society and the forces tending towards the overthrow of the old one.²⁹

Again, Marx emphasises the dual character of capitalism, opening a door to a possible, different future. In passing, Marx hints at on how post-capitalist society could function in terms of surplus labour:

Only the abolition of the capitalist form of production would permit the reduction of the working day to the necessary labour-time. But even in that case the latter would expand to take up more of the day, and for two reasons: first, because the worker's conditions of life would improve, and his aspirations become greater, and second, because a part of what is now surplus labour would then count as necessary labour, namely the labour which is necessary for the formation of a social fund for reserve and accumulation.³⁰

Such potentials are effectively blocked in capitalism: 'In capitalist society, free time is produced for one class by the conversion of the whole lifetime of the masses into labour-time'.³¹ As a conclusion of the chapter on machinery, Marx also hints at its way of destroying humanity's natural environment, thus opening a path for ecological issues:

Moreover, all progress in capitalistic agriculture is a progress in the art, not only of robbing the worker, but of robbing the soil; all progress in increasing the fertility of the soil for a given time is a progress towards ruining the more long-lasting sources of that fertility. The more a country proceeds from large-scale industry as the background of its development, as in the case of the United States, the more rapid is this process of destruction. Capitalist production, therefore, only develops the techniques and the degree of combination of the social process of production by simultaneously undermining the original sources of all wealth – the soil and the worker.³²

The history of Marxism is itself ambiguous in terms of ecological issues. Leninist, Stalinist and Maoist interpretations tended to interpret the domination and exploitation of external nature as necessary costs for the evolution of productive forces that were needed to build communist society on the ruins of capitalism. However, the less dogmatic and more critical theories in the tradition of the Frankfurt School look much more seriously at the implications of

Marx's critique of real subsumption under capital, seeing it as an impetus to understand just how deeply capitalist production forms and threatens the very existence of mankind as well as of other global life forms.

It appears as if wages tend to increase over time, but this is largely due to a long-term fall in value of money through inflation, which will be discussed much later. In reality, the value of labour-power tends to fall, due to the production of relative surplus-value based on increasing productivity of labour, with restructurings of the production process, diminishing costs of learning and cheaper means of subsistence.

If the value of the means of subsistence for one day falls, wages could in principle fall equally, while (relative) surplus-value would grow correspondingly. However, the amount of this fall is not automatically given, but 'depends on the relative weight thrown into the scale by the pressure of capital on the one side, and the resistance of the worker on the other'.³³ If the workers fiercely resist such a wage reduction and manage to avoid it over a longer time period, during which they simultaneously widen their range of needs and expand their 'normal' means of subsistence, then they have managed to instead keep or perhaps even increase the value of labour-power, as this is determined by social needs that may well change and expand historically. A tenacious struggle against wage reductions is thus needed in order to protect the workers' share of the total wealth of society, so that they can instead increase the value of labour-power.

Productive labour, wages and capital fetishism

The brief Chapter 16 begins by taking up the issue of productivity, starting by quoting an earlier chapter:

If we look at the whole [labour] process from the point of view of its result, the product, it is plain that both the instruments of labour and the object of labour are means of production, and that the labour itself is productive labour. [...] This method of determining what is productive labour, from the standpoint of the simple labour process, is by no means sufficient to cover the capitalist process of production.³⁴

As now co-operation, manufacture and industry have been analysed, Marx is able to take up this thread again.

With the progressive accentuation of the co-operative character of the labour process, there necessarily occurs a progressive extension of the concept of productive labour, and of the concept of the bearer of that labour, the productive worker. In order to work productively, it is no longer necessary for the individual himself to put his hand to the object; it is sufficient for

him to be an organ of the collective labourer, and to perform any one of its subordinate functions. The definition of productive labour given above, the original definition, is derived from the nature of material production itself, and it remains correct for the collective labourer, considered as a whole. But it no longer holds good for each member taken individually.

Yet the concept of productive labour also becomes narrower. Capitalist production is not merely the production of commodities, it is, by its very essence, the production of surplus-value. The worker produces not for himself, but for capital. It is no longer sufficient, therefore, for him simply to produce. He must produce surplus-value. The only worker who is productive is one who produces surplus-value for the capitalist, or in other words contributes towards the self-valorization of capital. [...] The concept of a productive worker therefore implies not merely a relation between the activity of work and its useful effect, between the worker and the product of his work, but also a specifically social relation of production, a relation with a historical origin which stamps the worker as capital's direct means of valorization. To be a productive worker is therefore not a piece of luck, but a misfortune.³⁵

The notion of productive labour thus gets a specific turn in the capitalist valorisation process, and will turn up again in more concrete levels of analysis. It shows how important it is to always regard capitalist production from a double perspective. This contradictory dual character is at all levels of abstraction the cause of many difficulties in understanding capitalist society. Capital 'is essentially the command over unpaid labour', from which all its power and magic derive:

All surplus-value, whatever particular form (profit, interest or rent) it may subsequently crystallize into, is in substance the materialization of unpaid labour-time. The secret of the self-valorization of capital resolves itself into the fact that it has at its disposal a definite quantity of the unpaid labour of other people [*fremder Arbeit*].³⁶

This secret is normally carefully hidden, not so much by ideological propaganda as by the real social practices of capitalist production, where the productivity of labour in daily experience tends to be projected onto capital. One reason for this is the way in which the price of labour-power is paid, lending a fetish character to the wage-form itself.

Marx's analysis of the wage-form is a prime example of how his insights may appear paradoxical from the horizon of everyday experience, since essential relations systematically deviate from superficial appearances. Most workers believe they are selling and getting paid for their labour, so that the wage corresponds to the value of this labour. But there is no such thing as the 'value of labour'! The amount of necessary labour crystallised in a commodity always constitutes its value, and if labour had value, then for instance the value of a full working

day would be ... a full working day!³⁷ This is a nonsensical tautology. Labour cannot have value, since it is the basis of all values. Instead, wages correspond to the value of labour-power, but the wage-form in general, and in all its possible variants, tends to reinforce the illusion that all labour is paid.

Wages are usually paid either as time-wages or as piece-wages. With time-wages, the workers get paid in proportion to the number of hours they work; with piece-wages, the salary is proportional to how many products they make. In both cases, it appears as if all labour is paid labour. This is the fetish character of wages, since it conceals surplus-value production. The wage-form in general hides exploitation behind a mask of equal exchange.

When the political economists treat surplus-value and the value of labour-power as fractions of the value-product – a mode of presentation which arises, by the way, out of the capitalist mode of production itself [...] – they conceal the specific character of the capital-relation, namely the fact that variable capital is exchanged for living labour-power, and that the worker is accordingly excluded from the product. Instead of revealing the capital-relation they show us the false semblance of a relation of association, in which worker and capitalist divide the product in proportion to the different elements which they respectively contribute towards its formation.³⁸

The worker first meets the capitalist at the labour market, in the sphere of circulation, where the worker does not yet work, and the labour itself is therefore invisible. ‘The exchange between capital and labour at first presents itself to our perceptions in exactly the same way as the sale and purchase of all other commodities. The buyer gives a certain sum of money, the seller an article which is something other than money’.³⁹

No labour products are yet made, and what the capitalist encounters is the living worker as carrier of a labour-power that is for sale.

It is not labour which directly confronts the possessor of money on the commodity-market, but rather the worker. What the worker is selling is his labour-power. As soon as his labour actually begins, it has already ceased to belong to him; it can therefore no longer be sold by him.⁴⁰

In previous societies, forced surplus labour is often immediately observable, as it is separated in time and space from necessary labour. In capitalism, the wage-form effectively conceals this division. ‘The wage-form thus extinguishes every trace of the division of the working day into necessary labour and surplus labour, into paid and unpaid labour. All labour appears as paid labour’. In feudalism, work for the lord and work for oneself were clearly distinct in space and time, and in slave labour, even the time the slave spent on replacing the value of his own means of subsistence was experienced as labour for his master. ‘All his labour appears as unpaid labour. In wage-labour, on the contrary, even surplus labour, or unpaid labour, appears as paid. In the one case, the property-relation

conceals the slave's labour for himself; in the other case the money-relation conceals the uncompensated labour of the wage-labourer'.⁴¹

The use-value of labour-power, labour itself, appears for both parties as the object sold by the worker to the capitalist. The money paid as wage appears as the 'value of labour'. Being paid 3 shillings per day, it seems as if the worker must work one day to produce a value of 3 shillings. The wage appears as if it was the value of the use-value of labour-power, when it is in fact just the value of labour-power itself. The wage-form of the exchange between worker and capitalist thus creates the illusion that the worker does not sell his labour but his labour-power.

As human labour-power is sold as a commodity on the market, and then functions in capitalist production as a factor among other factors (means of production), it also in that production process does not appear as a special, value-creating force, but just as a production factor amongst others.

By linking the wage as the daily value of labour-power to the labour performed one day (whether measured in time or in number of products), the difference between variable capital (v) and value product ($v + s$) is magically erased, corresponding to the difference between the value and the use-value of labour-power, and all labour appears as paid labour. Labour-power instead appears as if it was a constant value in the production process, and the value of the labourer's share in the labour product seems to be paid fully in salary. This masks the true character of the capital-relation, and the two sides appear as if they were equal partners.

This false semblance is further reinforced when workers are not paid as they sign the employment contract, but first after having performed their agreed amount of labour. The cost of the commodity of labour-power is not paid until its use-value is consumed.

The fetish character of the general wage-form has important effects on capitalist ideology.

We may therefore understand the decisive importance of the transformation of the value and price of labour-power into the form of wages, or into the value and price of labour itself. All the notions of justice held by both the worker and the capitalist, all the mystifications of the capitalistic mode of production, all capitalism's illusions about freedom, all the apologetic tricks of vulgar economics, have as their basis the form of appearance discussed above, which makes the actual relation invisible, and indeed presents to the eye the precise opposite of that relation.⁴²

Both parties on the labour market tend to falsely believe that wages are fair, and that there is no unjust exploitation. Marxist economy critique is proposed as an aid for workers to finally look through this false semblance in order to fully understand their situation under capitalism and avoid the trappings of bourgeois ideologies. 'The forms of appearance are reproduced directly and spontaneously, as current and usual modes of thought; the essential relation

must first be discovered by science'.⁴³ Marx adds that the classical political economists never quite reach this truth, as long as they (unlike himself) remain bourgeois.

The specific forms in which wages are calculated and paid further contribute to distorting appearances. With time-wage, capitalists can for instance introduce part-time. If the worker was paid 3 shillings for 12 hours' work, the capitalist can hire him for only 8 hours and pay $8/12 \times 3 = 2$ shillings a day. The rate of surplus-value remains the same as before, since only 2/3 of a full day's labour-power is bought, and the labour performed is therefore also 1/3 less, but the worker is then not paid the full daily value of his labour-power, and has to find other incomes in order to reproduce himself.

With overtime labour, the labour-power is under hard pressure, which is usually meant to be compensated by a slightly increased payment per extra hour. However, the addition is often ridiculously low and, when overtime is extensively used, it tends in practice to lengthen the normal working day and in the long run to increase exploitation by lowering the hourly value of labour-power.

Piece-wages have several advantages for capitalists, but are basically just a derived version of time-wages: 'The piece-wage is nothing but a converted form of the time-wage, just as the time-wage is a converted form of the value or price of labour-power'.⁴⁴ As piece-wages are only paid for full quality products, the worker has to pay the costs of any defect products. Since there is always a standard norm set for the number of products to be produced each hour, the worker is forced for his own sake to work intensely, in order to get fully paid for his daily labour-power. This tends to lessen the capitalist's costs for supervision and to make it easier to push up the normal intensity of labour, thus producing extra and relative surplus-value. The shifting daily salaries further contribute to the illusion that wages are equivalents for the labour performed and at the same time create mutual competition between workers, which hinders solidarity from developing.

But the wider scope that piece-wages give to individuality tends to develop both that individuality, and with it the worker's sense of liberty, independence and self-control, and also the competition of workers with each other. The piece-wage therefore has a tendency, while raising the wages of individuals above the average, to lower this average itself.⁴⁵

Capitalists try to make the average intensity of labour among selected top performing workers the new norm for all workers, which leads to an accelerating spiral. Resisting this pressure has often been an important issue for the working-class struggle against capital.

The value of labour-power was thus transformed into an apparent price for the labour performed, whereby all labour appeared as paid labour and the exploitation of workers by capitalist surplus-value production vanished from sight. The specific wage-forms of time-wage and especially piece-wage gave further impetus to increased exploitation. Other forms of wages, for instance

built on assessments of qualifications or bonuses, can also be analysed on similar terms, as they always tend to make possible some new form of extra surplus-value for the capitalist who employs them.

The initial analysis of the fetish character of commodities and money indicated that the products of human labour tend to become autonomous and have power over their producers. Private commodity producers work independently and in isolation from each other, but they are all instead dependent on the market, where all commodities meet. It is only there that it is determined if a producer can realise the value in his individual product, so that the labour-time he spent on making it corresponds to the socially necessary labour-time of its average societal value or not. In this way, the commodity producers are subordinated to the power of their products as a system of commodities on the market. The exchange process appears as a mechanism between commodities, with their owners only as secondary supplements. Social relations between people are then given the form of economic relations between things. People tend not to be aware that the power of the market is ultimately a result of their own, collective labour. Instead, commodity production appears as a natural condition that can never be surpassed. Language is full of expressions of this reversal of power, not least in marketing talk, where it often seems as if products are the true agents and actors, with human beings reduced to extras or mere objects.

In capitalist production, this reversal of the relation between human beings and their products is further developed, as the productive forces of the working class appear as if they derived from a thing: a productivity of capital rather than of labour. This fetish character of capital can be summarised.⁴⁶

The production process is therefore a combination of labour process and valorisation process, and for the capitalist who as the personification of capital itself organises and rules this double process, the former is just a means of the latter. In the valorisation process, it is not the worker who uses the means of production, but capital who uses the worker to get hold of surplus-value. The worker is therefore reduced to an object that is needed for production – a factor of the production process rather than a human being. ‘Owing to its conversion into an automaton, the instrument of labour confronts the worker during the labour-process in the shape of capital, dead labour, which dominates and soaks up living labour-power’.⁴⁷

At the same time as workers are treated as one among several factors of production, capital appears as the real producer. It is common to say that a company has built a new factory, forgetting that it is the workers employed there who build it, and terms like ‘linen producer’ tends to denote not the weaving workers but the owner of the company where they are employed.

1 Valorisation can only take place through the labour process, just like exchange-values presuppose use-values. Capital must buy the necessary *means of production*, and these machines will encounter the labourers as means of exploitation. This creates the illusion that the means of production, in their function as use-values, are as such by nature capital. In reality, machines are

- capital only because a capitalist owns them and workers have to interact with them as wage-labourers. This shows how the labour process in general must be distinguished from its specific capitalist form as a valorisation process. The latter is not given by nature and therefore not eternal.
- 2 Likewise with the *products* of labour: when workers produce value and surplus-value, these belong to someone else. The only value they get is in the shape of wages, but the surplus-value appears as something alien and even hostile. This way, the product of labour turns against the labourers as a tool of oppression rather than as their own achievement. The ‘capital-relation’ (between capital and labour) forces labourers to produce commodities and values that reinforce their own exploitation. Not only the means of production but also the products themselves appear to the labourers as an alien and hostile power, as acting subjects, oppressors and exploiters.
 - 3 Not only the means of production and the products, but also all other elements deriving from labour itself, appear as the *productive forces* of capital. Co-operation, systematic division of labour and other ways to organise the production process are based on collaboration between collective workers, but as they emerge under the rule of capital, it appears as if the strength of co-operation derives from capital itself, which organises this co-operation and benefits by it. ‘The social mechanism of production, which is made up of numerous individual specialized workers, belongs to the capitalist. Hence the productive power which results from the combination of various kinds of labour appears as the productive power of capital’.⁴⁸

As long as the capital-relation survives, the fetish character of capital does too, turning appearances upside down, making dead things appear as if they were alive and reifying living labour. Individual workers are transformed into parts of an alien mechanism, in the hands of capital and apparently unable to exist without capital.

The capitalist organisation of labour leads to a strict division between manual and intellectual labour, where the latter help capitalists with planning and organisation, while the former have to make what others have planned. It soon becomes taken for granted that some people only work with their hands, others only with their heads. Concrete labour demands a combination of practical performance and planning thinking, but capitalism tends to put these two in hostile opposition to each other, as science and technology is forced to contribute to constructing machinery that is made to increase exploitation. In this way, science appears as a loyal servant and force of capital, but this is no natural trait and, in other societal ways of organising production, this could well be otherwise.

Better machines are made by workers but used only for the benefit of capitalists, to produce more relative surplus-value. When workers suggest innovations to improve the production process, they also contribute to letting the capitalist get hold of extra surplus-value. In all these ways, the societal productive forces of labour, developed by co-operation, division of labour, machines and technological applications, appear as productive forces of capital.

In fact, this appropriation of all productivity into being elements of capital also stretches out to assimilate natural resources. Marx mentions how favourable climate and other natural conditions tend to appear as resulting from capital rather than from nature: 'Thus both the historically developed productive forces of labour in society, and its naturally conditioned productive forces, appear as productive forces of the capital into which that labour is incorporated'.⁴⁹

- 4 The fetish character of capital transforms people to things and things to people. The *relation between the capitalist class and the working class* in the capitalist production process appears as a relation between passive objects of exploitation and exploitative means of production, controlled by private capital. This is why the workers' struggle in some phases attacked machines rather than the capital-relation itself. When workers destroyed machines, they were blinded by the fetish character of capitalist production. It was not the machines themselves that caused exploitation, but how they were controlled and used in capitalist production.

This does not imply that machines are 'in themselves' neutral and innocent tools. The very construction of a machine or any technology bears marks of its dual character, as it is made to function in a labour process that is at the same time also a valorisation process. Another mode of production, yet to be born, must therefore not just take over contemporary technologies but start to reconstruct them, based on a completely different set of conditions.

In sum, capitalism defines as productive that labour which besides making use-values also creates value and surplus-value for capital. As a result of the fetish character of the commodity, money and capital, it appears as if it is capital that is productive and gives rise to all commodities, including even the workers themselves.

Notes

- 1 *Capital I*: 508 (Chapter 15).
- 2 This builds on Autorenkollektiv Marx-Arbeitsgruppe Historiker (1968/1971, Chapter 5).
- 3 *Capital I*: 451 (Chapter 13).
- 4 *Capital I*: 457 (Chapter 14).
- 5 *Capital I*: 470 (Chapter 14).
- 6 *Capital I*: 482 (Chapter 14).
- 7 *Capital I*: 450 (Chapter 13).
- 8 *Capital I*: 472 (Chapter 14).
- 9 *Capital I*: 482 (Chapter 14).
- 10 *Capital I*: 484 (Chapter 14).
- 11 *Capital I*: 486 (Chapter 14).
- 12 *Capital I*: 531 (Chapter 15).
- 13 *Capital I*: 795 (Chapter 25).
- 14 *Capital I*: 545 (Chapter 15).
- 15 *Capital I*: 518 (Chapter 15).
- 16 For a Marxist discussion of families and gendered housework, see Hartmann (1981), Rowbotham (1974/1977) and Secombe (1974).

- 17 *Capital I*: 376 (Chapter 10).
- 18 *Capital I*: 664 (Chapter 17).
- 19 *Capital I*: 666 (Chapter 17).
- 20 *Capital I*: 534 (Chapter 15).
- 21 *Capital I*: 661–662 (Chapter 17).
- 22 *Capital I*: 553–554 and 554–555 (Chapter 15).
- 23 *Capital I*: 542 (Chapter 15).
- 24 *Capital I*: 547 (Chapter 15).
- 25 *Capital I*: 548–549 (Chapter 15).
- 26 *Capital I*: 617 (Chapter 15).
- 27 *Capital I*: 619 (Chapter 15).
- 28 *Capital I*: 620–621 (Chapter 15).
- 29 *Capital I*: 635 (Chapter 15).
- 30 *Capital I*: 667 (Chapter 17).
- 31 *Capital I*: 667 (Chapter 17).
- 32 *Capital I*: 638 (Chapter 15).
- 33 *Capital I*: 659 (Chapter 17).
- 34 *Capital I*: 643 (Chapter 16) quoting 287 (Chapter 7) with just an insignificant change.
- 35 *Capital I*: 643–644 (Chapter 16).
- 36 *Capital I*: 672 (Chapter 18).
- 37 Marx (1865/1969, *Value, Price and Profit*, Chapter VII).
- 38 *Capital I*: 670–671 (Chapter 18).
- 39 *Capital I*: 681 (Chapter 19).
- 40 *Capital I*: 677 (Chapter 19).
- 41 *Capital I*: 680 (Chapter 19).
- 42 *Capital I*: 680 (Chapter 19).
- 43 *Capital I*: 682 (Chapter 19).
- 44 *Capital I*: 692 (Chapter 21).
- 45 *Capital I*: 697 (Chapter 21).
- 46 Parts of this section build on Autorenkollektiv Marx-Arbeitsgruppe Historiker (1968/1971, Chapter 5).
- 47 *Capital I*: 548 (Chapter 15).
- 48 *Capital I*: 481 (Chapter 14).
- 49 *Capital I*: 651 (Chapter 16).

7 Accumulation

Part 7 of *Capital I* (Chapters 23–25) is devoted to the accumulation of capital. Until now, each phase of the production process has been analysed in isolation, as a simple movement expressed in the formula:

$$M \rightarrow C (= c + v) \dots P \dots C' (= c + v + s) \rightarrow M'$$

This simple model was justified as an analytical step, where the basic abstract and simple aspects need to be worked through before it is possible to add more concrete aspects.

Here, instead, the continuous flow of this process will be scrutinised, in order to understand how it makes possible the long-term growth of capital through the utilisation of labour-power. The simple valorisation process drafted above continues uninterrupted, capital's hunger for surplus-value is never appeased and workers must sell their labour-power again and again throughout their lives. It is time to move from the simple formula above, via the simple reproduction of capital at a constant level by continuous repetition of this formula, to extended capital accumulation as a repeated and continuous process.

This implies an increase of complexity and concretion, which may sometimes be more demanding to understand, but at the same time moves a bit closer to the specifics at the surface level of the capitalist everyday, in particular by laying the foundations for understanding economic crises. Yet, Marx initially makes clear that he continues to make certain abstractions. He still takes for granted that commodities are sold at their values, that capitalists can always sell their products at once and that they don't have to share surplus-value with merchants or bankers.

Simple reproduction of capital

The continued existence of any society demands continuous production, so that yesterday's production creates the conditions for that of today and tomorrow. Means of consumption and of production must be produced in sufficient amounts to enable the circuit of production to be repeated day by day, year by year. This total reproduction process includes several key moments: (1) a reproduction of material use-values useful as means of production (c); (2) a reproduction of

labour-power (v); and also (3) a reproduction of the basic relations of production as a dialectical relation between labour and capital.

Each capitalist does not only want to reproduce his initial capital (M) once, letting his labourers offer him a surplus-value. The continual production of surplus-value is his only goal, if he is to survive as a capitalist in a capitalist society. He will therefore reinvest at least part of his resulting capital (M') in a new circuit of production, in order to repeat the valorisation process that is his aim.

Marx here introduces the concept of *revenue*: 'As a periodic increment of the value of the capital, or a periodic fruit borne by capital-in-process, surplus-value acquires the form of a revenue arising out of capital'.¹ *Simple reproduction* is when this revenue only serves the capitalist to provide for his own consumption and is thus spent periodically as it is gained. Here, the reproduction process is repeated on an identical scale and of the same size as before, and the capitalist uses all the surplus-value(s) for his own luxury consumption, so that the next circuit of valorisation again starts with the same sum of money (M) as the first one.

Even at the stage of simple reproduction, the continuous repetition of the production process modifies the relation between workers and capitalists. In each separate movement, wage-labourers and capitalists interacted as individuals. Regarded as a reproduction process, it becomes clear that they encounter each other as groups with specific economic functions. The working class owns only its collective labour-power and must therefore produce surplus-value in the capitalist production process. The capitalist class owns the means of production and can appropriate all surplus without paying anything for it. The working class continually produces new wealth that the capitalist class equally continually appropriates.

As the production process is repeated again and again, it becomes clear how the labourer is paid a wage (corresponding to the value of his labour-power) that derives from the value product he has himself produced. It is the labour from yesterday that is used to buy labour-power today. The whole societal value product is produced by the working class. The capitalist class appropriates this whole value product and then spends some of it on wages for buying labour-power from the working class. The working class uses this sum for buying means of subsistence in order to reproduce its labour-power and buys some of the consumer commodities it has itself produced. The money paid in salaries thus return back from the working class to the capitalist class. After having consumed the means of subsistence, the workers are as poor as from the beginning and are forced to sell their labour-power anew.

The working class produces all wealth in society, but this wealth stands in opposition to the working class since it is owned by the capitalist class. When the working class buys part of this wealth for its wage, it has to give away money that is the socially general form of wealth and must thus resell its labour-power to capital once again. In this way, the basic conditions for the capitalist mode of production are reproduced, and the working class remains separated from its means of production and therefore continues to be forced to sell its labour-power as a commodity.

But what at first was merely a starting-point becomes, by means of nothing but the continuity of the process, by simple reproduction, the characteristic result of capitalist production, a result which is constantly renewed and perpetuated. On the one hand, the production process incessantly converts material wealth into capital, into the capitalist's means of enjoyment and his means of valorization. On the other hand, the worker always leaves the process in the same state as he entered it – a personal source of wealth, but deprived of any means of making that wealth a reality for himself. [...] Therefore the worker himself constantly produces objective wealth, in the form of capital, an alien power that dominates and exploits him; and the capitalist just as constantly produces labour-power, in the form of a subjective source of wealth which is abstract, exists merely in the physical body of the worker, and is separated from its own means of objectification and realization; in short, the capitalist produces the worker as a wage-labourer. This incessant reproduction, this perpetuation of the worker, is the absolutely necessary condition for capitalist production.²

The reproduction of the working class is thus one necessary condition for the reproduction of the capitalist production process. But this is not all.

The capitalist process of production, therefore, seen as a total, connected process, i.e. a process of reproduction, produces not only commodities, not only surplus-value, but it also produces and reproduces the capital-relation itself; on the one hand the capitalist, on the other the wage-labourer.³

In order for that process to start, a capitalist must possess capital in the form of money for investing in means of production and labour-power. This initial capital derives from a process of 'primitive accumulation' that will be described in the next chapter. But irrespective of its initial origins, its character is soon transformed.

Assume that the capitalist first invested £10,000: £8,000 in means of production (c: constant capital = machines and raw materials) and £2,000 in labour-power (v: variable capital = wages). Further assume that the rate of surplus-value is 100 per cent, so that a surplus of another £2,000 is created, since the commodities produced in one period of production are worth £12,000 on the market. The capitalist can then use up these £2,000 in surplus-value for his own personal consumption and still at the end again have £12,000 – £2,000 = £10,000 to reinvest in a new period of production. This can continue time and again, so that the capital remains the same and all surplus is consumed by the capitalist. After five periods, the capitalist has thus consumed $5 \times £2,000 = £10,000$, corresponding to all his initially invested capital. This is therefore then finished, yet still he can continue each new period to invest a fresh £10,000, since the fraction of his initial capital that is consumed each period will always be fully replaced with surplus-value. This means that, after five periods, the capitalist's whole capital consists of surplus-value appropriated free of charge as unpaid labour.

The continuity of the production process will thus after a limited number of periods transform each capital to capitalist surplus-value. Even when the initial capital may have been the rightfully earned personal property of the capitalist, it is sooner or later fully transformed into a value that is the product of others' labour appropriated without an equivalent. All capital that has for a while been involved in capitalist production consists of such capitalised surplus-value. To sum this up:⁴

- 1 The wages that the capitalist class pays to the working class derives from values created by that working class itself.
- 2 All capital invested in production will soon consist solely of surplus-value transformed into capital, i.e. of the working class's unpaid surplus labour.
- 3 The capitalist class lives on the surplus-value produced by the working class. The working class pays for the survival of the capitalist class.

It was previously assumed that capitalists and wage-labourers met on the labour market as equal and free persons, exchanging equal values on the basis of a mutual respect for each other's private property. This now turns out to be an illusory appearance. The capitalists exchange values that they have not created themselves, but which are produced by the working class and have been appropriated free of charge.

Yet, according to bourgeois justice, the values produced by workers belong to the capitalists, since they own the means of production. Theft is when somebody appropriates something without paying a corresponding equivalent. The capitalist class cannot be lawfully accused of theft from the working class, since (1) the latter has formally entered this capital-relation on a 'voluntary' basis, as it had no other choice once the means of production had been taken away from it, and (2) this permanent stealing is not publically visible, as it is hidden inside the private 'hidden abode of production'.⁵ A strange dialectic makes the exchange relation between capitalist and worker a false surface, hiding the real content of their transaction:

The constant sale and purchase of labour-power is the form; the content is the constant appropriation by the capitalist, without equivalent, of a portion of the labour of others which has already been objectified, and his repeated exchange of this labour for a greater quantity of the living labour of others. Originally the rights of property seemed to us to be grounded in a man's own labour. Some such assumption was at least necessary, since only commodity-owners with equal rights confronted each other, and the sole means of appropriating the commodities of others was the alienation [*Veräußerung*, i.e. sale or transference of ownership to another] of a man's own commodities, commodities which, however, could only be produced by labour. Now, however, property turns out to be the right, on the part of the capitalist, to appropriate the unpaid labour of others or its product, and the impossibility, on the part of the worker, of appropriating his own product.⁶

Capital accumulation

No capitalist would in the long run be content just to have the same amount of money to reinvest year after year. If nothing else, competition with other capitalists forces them all to strive for expansion. Surplus-value production makes it possible to extract more values out of the production process than is needed just for the capitalist to survive. The main part of this surplus is then also reinvested in the next period of production and valorisation. In the *expanded reproduction* or *capital accumulation*, the reproduction processes are expanding, and a part of the surplus-value is accumulated, i.e. transformed into new capital, while the remaining part of the surplus-value is taken by the capitalist as revenue and used for personal consumption. 'The employment of surplus-value as capital, or its reconversion into capital, is called accumulation of capital'.⁷

In the previous example, assume that the capitalist, instead of consuming the surplus-value, reinvests most of it in new means of production and labour-power. He would then after one period of production have considerably more than just £10,000 with which to buy raw materials, machines and labour-power. For simplification, Marx actually deliberately leaves out of consideration the portion of the surplus-value consumed by the capitalist, and suggests that he uses all the resulting £12,000 to reinvest in the second period. If the proportions between constant and variable capital are the same as before ($8,000/2,000 = 4/1$), this means that he now for this £12,000 buys means of production for £9,600 and labour-power for £2,400. If the rate of surplus-value remains the same (100 per cent), after a second period of production he can realise a total product value of ($c + v + s =$) $£9,600 + £2,400 + £2,400 = £14,400$. The initial capital of £10,000 has seemingly by itself grown through £12,000 to £14,400.

And so it continues, as the capital accumulates, seemingly without any upper limit. The rate of expansion in accumulation depends on how much surplus-value can be reinvested between each circuit. This in turn is determined by (1) the absolute size of the initial capital (M); (2) the rate of surplus-value (s/v) which is dependent on the productivity of labour that relates to absolute and relative surplus-value production; and (3) the proportions in which surplus-value is divided into (new, reinvested) capital and personal revenue for the capitalist.

This accumulation process reproduces capital but also labour-power and their mutual relation. This is therefore a key turning point when the capitalist mode of production becomes the general rule in a society.

Only where wage-labour is its basis does commodity production impose itself upon society as a whole; but it is also true that only there does it unfold all its hidden potentialities. [...] To the extent that commodity production, in accordance with its own immanent laws, undergoes a further development into capitalist production, the property laws of commodity production must undergo a dialectical inversion so that they become laws of capitalist appropriation.⁸

The process is carried out by human beings, but it is their social functions rather than psychological motives that are essential here. Capitalists are as bound to the capital-relation as are workers, though they of course have much more to gain from that order.

Except as capital personified, the capitalist has no historical value [...]. But, in so far as he is capital personified, his motivating force is not the acquisition and enjoyment of use-values, but the acquisition and augmentation of exchange-values. He is fanatically intent on the valorization of value; consequently he ruthlessly forces the human race to produce for production's sake. In this way he spurs on the development of society's productive forces, and the creation of those material conditions of production which alone can form the real basis of a higher form of society, a society in which the full and free development of every individual forms the ruling principle. Only as a personification of capital is the capitalist respectable. As such, he shares with the miser an absolute drive towards self-enrichment. But what appears in the miser as the mania of an individual is in the capitalist the effect of a social mechanism in which he is merely a cog. Moreover, the development of capitalist production makes it necessary constantly to increase the amount of capital laid out in a given industrial undertaking, and competition subordinates every individual capitalist to the immanent laws of capitalist production, as external and coercive laws. It compels him to keep extending his capital, so as to preserve it, and he can only extend it by means of progressive accumulation.⁹

Capital valorisation knows no absolute limits. It does not suffice for capital in money form to generate surplus-value once. Instead, it is forced to repeat this again and again, on an indefinitely expanding scale. Endless accumulation is what makes surplus-values grow forever, and it is this growth of surplus-value that makes accumulation possible.

Accumulate, accumulate! That is Moses and the prophets! [...] Accumulation for the sake of accumulation, production for the sake of production: this was the formula in which classical economics expressed the historical mission of the bourgeoisie in the period of its domination.¹⁰

Organic composition

One way to study how accumulation affects the working class is by focusing on the relation between constant and variable capital. It was shown that commodities had a dual character of use-value and value, and that the production process had a corresponding dual character of labour process making use-values and valorisation process creating value and surplus-value. The constant and variable capital, for which the capitalist buys means of production and labour-power,

must simultaneously function as factors in both these processes. Depending on the level of historical development of productive forces, the relations between these two main factors tend to vary over time.

The composition of capital is to be understood in a twofold sense. As value, it is determined by the proportion in which it is divided into constant capital, or the value of the means of production, and variable capital, or the value of labour-power, the sum total of wages. As material, as it functions in the process of production, all capital is divided into means of production and living labour-power. This latter composition is determined by the relation between the mass of the means of production employed on the one hand, and the mass of labour necessary for their employment on the other. I call the former the value-composition, the latter the technical composition of capital. There is a close correlation between the two. To express this, I call the value-composition of capital, in so far as it is determined by its technical composition and mirrors the changes in the latter, the organic composition of capital. Wherever I refer to the composition of capital, without further qualification, its organic composition is always understood.¹¹

The *organic composition* of capital thus expresses the way in which the relation between the value of means of production (constant capital) and the value of labour-power (variable capital) develops. If this organic composition rapidly increases, there is a risk that in the future less new value will be produced, since only labour-power and not machines have the unique capability of producing new value. Organic composition therefore at a rather fundamental and abstract level expresses the basic inner contradiction of capitalist production. In the quotation above, Marx develops his idea in three steps.

First, a set of raw materials, machines and factory buildings, as well as a number of workers are needed for commodities to be produced. ‘*Technical composition*’ is a kind of use-value expression of the mutual balance between means of production and labour-power. It is hard to measure numerically, but one can at least observe historical changes in this balance. It is rather obvious that, in most branches, fewer and fewer people tend to serve more and more machines, so that the technical composition of capital really tends to grow in most periods.

The ‘*value-composition*’ of capital is expressed by the formula c/v : constant capital (the value of means of production used) divided by variable capital (the value of labour-power in wages).

When Marx then introduces ‘*organic composition*’ of capital as a third term, it is to underline the links between the two. It is not just a static mathematical formula (as is the value-composition), but rather a dynamic concept needed to understand how the technical composition and value-composition are inter-related. The reason for introducing this third concept is precisely to acknowledge how important the combination of the two first ones are, both for capital accumulation and for working-class existence.

Organic composition according to Marx's definition is thus not always the same as value-composition. The ordinary scenario appears to be that of a growing technical composition leading to a growing value-composition, combining into a growing organic composition of capital. It would then appear that this would rather quickly lead to a decline in surplus-value production, as the fraction of capital that is invested in labour-power diminishes in relative terms.

However, this is a too rapid simplification, and the presentation remains on a too abstract level to justify any talk of general law in this respect.¹² If, for instance, the value of labour-power shrinks due to reasons unrelated to changes in production techniques (for example after political turbulence that weakens the trade unions), then the value-composition c/v increases, but this has nothing to do with the technical composition and does therefore not imply any increase in the organic composition either.

A more common variety to that mechanism is when technical composition grows without any growth in value-composition. In this case, organic composition in Marx's sense does not increase. It is true that technologies develop at an accelerating speed, and that technical composition therefore tends to grow equally fast, but these new technologies simultaneously also tend to become cheaper and cheaper. Technological development need not necessarily lead to comparable growth in organic composition of capital. When machines and raw materials can be made more efficiently, this may indeed diminish the value-composition of capital at the same time as its technical composition increases drastically. Electronics and computers are obvious examples. Other counteracting factors are the intensity of labour, shift work and increased speed of capital turnover.

This also illustrates how Marx's 'laws' have a peculiar, dialectic quality. The law of a rising tendency of organic composition as well as the forthcoming law of the falling tendency of the rate of profit are no prophesies of capitalism's impending collapse, nor descriptions of how capitalism works on the concrete 'surface' at each particular moment. They are *tendencies*, grounded in the basic inner contradictions of capital accumulation. They cannot always be discerned in the immediately observable economic everyday, but it is possible to observe the mechanisms that capitalism activates to defend valorisation against them. They can to some extent be likened to the inner drives and desires of psychic life analysed by Freud, as those are also in general not directly observable as such, but only through deciphering the defence mechanisms that are mobilised to keep them repressed.

When organic composition grows, constant capital grows larger in comparison to variable capital. This implies that relatively fewer workers tend to be put to work, so that an '*industrial reserve army*' is created, consisting of workers temporarily forced to just work part-time, as well as others who have permanently been excluded from capitalist production. The size of this unemployed reserve army depends on how surplus-value is transformed into new capital.

If it is just used to expand already existing factories or to build new ones with the same technological composition, then more workers than before will

be employed. But if instead production methods are rationalised and the productivity of labour increased, then the unemployment numbers will rise.

The division of the working class into one active part and one reserve army affects wages. With *extensive capital accumulation* there is just a *quantitative* expansion of production on the same technical basis. The workforce employed will then rise in absolute numbers and the reserve army of unemployed will shrink. If there is still more demand for labour-power, wages may even temporarily rise above the value of labour-power, since capitalists in mutual competition will do what they can to attract the labour-power they need. Such increase in wages will only reduce the amount of unpaid labour the worker has to supply: 'This reduction can never go so far as to threaten the system itself'.¹³

If, for example, the production of surplus-value should as a result diminish too much, a smaller amount of surplus-value would be transformed into capital, resulting in a new decrease in accumulation.

The rate of accumulation lessens; but this means that the primary cause of that lessening itself vanishes, i.e. the disproportion between capital and exploitable labour-power. The mechanism of the capitalist production process removes the very obstacles it temporarily creates. The price of labour falls again to a level corresponding with capital's requirements for self-valorization, whether this level is below, the same as, or above that which was normal before the rise of wages took place.¹⁴

However, when there is *intensive capital accumulation*, technological development gives rise to *qualitative* transformations. (The distinction between extensive/quantitative and intensive/qualitative accumulation is somewhat reminiscent of that between methods of absolute and relative surplus-value production, though now on a more concrete level.) The demand for labour-power may then still grow slightly in absolute terms, but fall relatively in relation to the constant capital invested in the process. When not only those machines used to expand production use this new technology, but also the original set-up of machines is rationalised in the same manner, then the demand for labour-power tends to drop in absolute terms as well.

The demand for labour-power is not determined by the size of the total capital, but of its variable constituent. How many workers can be employed therefore depends on the organic composition of the total capital in all of society. As capital accumulates and total capital grows, there is a tendency for its organic composition to increase, so that variable capital becomes relatively smaller in comparison with constant capital. The supply of labour-power then tends to be larger than the demand for it, which will expand the industrial reserve army.

Marx sums up the discussion so far by concluding that capitalist accumulation is therefore always bound to a demand for intensified exploitation, which is not to the benefit of the working class, whose living labour is the ultimate source of all new value.

The law of capitalist accumulation, mystified by the the economists into a supposed law of nature, in fact expresses the situation that the very nature of accumulation excludes every diminution in the degree of exploitation of labour, and every rise in the price of labour, which could seriously imperil the continual reproduction, on an ever larger scale, of the capital-relation. It cannot be otherwise in a mode of production in which the worker exists to satisfy the need of the existing values for valorization, as opposed to the inverse situation, in which objective wealth is there to satisfy the worker's own need for development. Just as man is governed, in religion, by the products of his own brain, so, in capitalistic production, he is governed by the products of his own hand.¹⁵

Centralisation and the industrial cycle

Another aspect that also needs to be taken into consideration concerns the effects of mutual competition amongst individual capitalists. They all have to produce as much as possible and sell these products at a competitive price level. Those having the best (most efficient) way of organising production will win that struggle. In this way, capitalist competition helps raise the productivity of labour on a general, societal scale, while making this productivity profitable for capital accumulation.

But all methods for raising the social productivity of labour that grow up on this basis are at the same time methods for the increased production of surplus-value or surplus-product, which is in its turn the formative element of accumulation. They are, therefore, also methods for the production of capital by capital, or methods for its accelerated accumulation. The continual re-conversion of surplus-value into capital now appears in the shape of the increasing magnitude of the capital that enters into the production process. This is in turn the basis of an extended scale of production, of the methods for raising the productivity of labour that accompany it, and of an accelerated production of surplus-value.¹⁶

The accumulation process leads to growing capital in search of more production processes to valorise and to strengthen itself in the struggle against all competitors. 'Every accumulation becomes the means of new accumulation. With the increasing mass of wealth which functions as capital, accumulation increases the concentration of that wealth in the hands of individual capitalists, and thereby widens the basis of production on a large scale and extends the specifically capitalist methods of production'.¹⁷ This results in a *centralisation of capital*, as big companies buy small and mid-size ones, or two large companies merge in order to force a third one out of business. Not only do capitals grow by accumulation of surplus-value transformed into a growing capital mass – Marx calls this *concentration* – but centralisation means that they also grow by mutual

competition. Concentration and centralisation are often used as synonyms, but Marx thus defines them as slightly different, though overlapping processes.

It is concentration of capitals already formed, destruction of their individual independence, expropriation of capitalist by capitalist, transformation of many small into few large capitals. This process differs from the first one in this respect, that it only presupposes a change in the distribution of already available and already functioning capital. Its field of action is therefore not limited by the absolute growth of social wealth, or in other words by the absolute limits of accumulation. Capital grows to a huge mass in a single hand in one place, because it has been lost by many in another place. This is centralization proper, as distinct from accumulation and concentration.¹⁸

Concentration means that large companies have advantages over small ones in funding new machines and thus producing more efficiently. Large companies therefore tend to develop the productivity of labour faster than small ones. On top of that effect, this interacts with centralisation, whereby capitals grow by swallowing each other.

The world would still be without railways if it had had to wait until accumulation had got a few individual capitals far enough to be adequate for the construction of a railway. Centralization, however, accomplished this in the twinkling of an eye, by means of joint-stock companies.¹⁹

These centralised masses of capital reproduce rapidly and accelerate the progress of social accumulation. With the concentration and centralisation processes induced by capital accumulation, relatively fewer workers are employed compared to the total capital size: with the growth of the total capital, its variable constituent also grows, but its proportion diminishes.²⁰ 'The working population therefore produces both the accumulation of capital and the means by which it is itself made relatively superfluous; and it does this to an extent which is always increasing'. Marx defines this as a specifically capitalist law of population.²¹

With growing organic composition of capital, competition for jobs increases between segments of the working class. There is a downward pressure from the reserve army of unemployed on the wage level for workers, and overtime work becomes a necessity.

The over-work of the employed part of the working class swells the ranks of the reserve, while, conversely, the greater pressure that the reserve by its competition exerts on the employed workers forces them to submit to over-work and subjects them to the dictates of capital. The condemnation of one part of the working class to enforced idleness by the over-work of the other part, and *vice versa*, becomes a means of enriching the individual capitalists, and accelerates at the same time the production of the industrial reserve army on a scale corresponding with the progress of social accumulation.²²

The wage level is thus dependent on the size of the reserve army, which in turn is determined by capital accumulation and the industrial cycle, oscillating between periods of over-production and stagnation. 'The relative surplus population is therefore the background against which the law of the demand and supply of labour does its work'.²³ The role of the industrial reserve army reveals that the workers are not such equal exchange partners to capitalists on the labour market as was first assumed. Due to quantitative accumulation, capitalism increases the demand for labour-power, but also the supply of that same labour-power, since workers are fired when there is a qualitative transformation of accumulation.

Capital acts on both sides at once. If its accumulation on the one hand increases the demand for labour, it increases on the other the supply of workers by 'setting them free', while at the same time the pressure of the unemployed compels those who are employed to furnish more labour, and therefore makes the supply of labour to a certain extent independent of the supply of workers. The movement of the law of supply and demand of labour on this basis completes the despotism of capital.²⁴

Marx again summarises his findings in terms of a new law:

The greater the social wealth, the functioning capital, the extent and energy of its growth, and therefore also the greater the absolute mass of the proletariat and the productivity of its labour, the greater is the industrial reserve army. The same causes which develop the expansive power of capital, also develop the labour-power at its disposal. The relative mass of the industrial reserve army thus increases with the potential energy of wealth. But the greater this reserve army in proportion to the active labour-army, the greater is the mass of a consolidated surplus population, whose misery is in inverse ratio to the amount of torture it has to undergo in the form of labour. The more extensive, finally, the pauperized sections of the working class and the industrial reserve army, the greater is official pauperism. *This is the absolute general law of capitalist accumulation.* Like all other laws, it is modified in its working by many circumstances, the analysis of which does not concern us here.²⁵

This formulation seems to contradict everyday experience, as workers' life conditions seem to have improved over the centuries. A solution is to read this in terms of a relative rather than absolute impoverishment. There is a tendency towards relative impoverishment of the working class, as the largest part of new value produced is controlled by capital and the gap between societal wealth and the welfare of the majority population widens exponentially. It is harder to sustain the stronger theory of absolute impoverishment, whereby the working class would finally starve to death. Still, the recent financial crisis indicates a possibility that mass unemployment may well spread globally and result in

world-wide misery. In *Capital*, it is generally quite clear that the general laws are always negotiated and mediated by class struggle, being far from any automatic mechanism. This connects to what was previously said of Marx's method and his efforts to keep up a dialectic ambivalence between social and historical laws of development on the one hand and open-ended human action and class struggle on the other.

Still, there are several possible answers to those who criticise Marx's theory of impoverishment by pointing at the fact that workers seem to have a higher standard of living today than 150 years ago. First, it may be true that workers' conditions in many developed industrial countries have improved since the nineteenth century but, in many periods, workers in the less prosperous so-called third world have instead suffered from extreme poverty. Marx's general law is at least easier to accept for the total capitalist world market as a whole. Prosperity in (post-)colonial and imperialist Western countries is bought with poverty in the rest of the world. Imperialism and international trade makes possible not only violent expropriation (a kind of primitive accumulation) but also an uneven exchange mechanism that makes the rich part of the world richer and the poor even poorer. This can be discussed later, after the redistributive mechanisms of trade have been analysed. Also, the many millions of migrant labourers from poor countries must also be included in the calculation, as they suffer even more from being threatened with unemployment and social marginalisation.

Still, it has at least in recent decades been argued that living standards have really improved on a global scale as well. A second objection can then be made by asking what is meant by high living standards. Marx sums up his analysis of the valorisation process in the following terms:

We saw [...] that within the capitalist system all methods for raising the social productivity of labour are put into effect at the cost of the individual worker; that all means for the development of production undergo a dialectical inversion so that they become means of domination and exploitation of the producers; they distort the worker into a fragment of a man, they degrade him to the level of an appendage of a machine, they destroy the actual content of his labour by turning it into a torment; they alienate [*entfremden*] from him the intellectual potentialities of the labour process in the same proportion as science is incorporated in it as an independent power; they deform the conditions under which he works, subject him during the labour process to a despotism the more hateful for its meanness; they transform his life-time into working-time, and drag his wife and child beneath the wheels of the juggernaut of capital. But all methods for the production of surplus-value are at the same time methods of accumulation, and every extension of accumulation becomes, conversely, a means for the development of those methods. It follows therefore that in proportion as capital accumulates, the situation of the worker, be his payment high or low, must grow worse.²⁶

Even if many workers may be able to consume more in their leisure time today than before, at work, they remain subordinated under the dictatorship of capital. Masses of capital move from one branch of production to another, and workers are forced to follow after as best they can. Capitalist accumulation, with its cyclical form, induces a strong element of risk and insecurity in the lives of the workers. And those who have jobs tend to be worn out by the high intensity of labour that poses extreme demands on the workers. The result is a high rate of work accidents, stress and various kinds of somatic and mental illness.

A third defence for Marx's theory of impoverishment is even more to the point. Marx mainly emphasised that there is an on-going *relative* impoverishment of the working class, in relation to the enormous growth of capital. This can be supported by figures that clearly show that the proportion of gross national product or of total industrial production that is channelled into wages is steadily diminishing. And finally, again: even though Marx sometimes tended to formulate conclusions in terms of almost naturalised 'laws', they were not simple prophesies. On lots of other occasions, he repeatedly stressed that the future was still open, that it depended on concrete class struggle, and that capitalism is from its essential core to all its appearances deeply contradictory and therefore ambiguous.

Notes

- 1 *Capital I*: 711–712 (Chapter 23).
- 2 *Capital I*: 716 (Chapter 23).
- 3 *Capital I*: 724 (Chapter 23).
- 4 Autorenkollektiv Marx-Arbeitsgruppe Historiker (1968/1971, Chapter 6).
- 5 *Capital I*: 279 (Chapter 6).
- 6 *Capital I*: 730 (Chapter 24).
- 7 *Capital I*: 725 (Chapter 24).
- 8 *Capital I*: 733–734 (Chapter 24).
- 9 *Capital I*: 739 (Chapter 24).
- 10 *Capital I*: 742 (Chapter 24).
- 11 *Capital I*: 762 (Chapter 25).
- 12 The following argument derives from Broady (1976: 91–92).
- 13 *Capital I*: 769–770 (Chapter 25).
- 14 *Capital I*: 770 (Chapter 25). When Marx here speaks of 'price of labour' [*Arbeitspreis*], this may seem to contradict his denial that labour has any value at all, but by the term 'price' rather than 'value', it is clear that he intends the superficial level of appearances.
- 15 *Capital I*: 771–772 (Chapter 25).
- 16 *Capital I*: 775–776 (Chapter 25).
- 17 *Capital I*: 776 (Chapter 25).
- 18 *Capital I*: 777 (Chapter 25).
- 19 *Capital I*: 780 (Chapter 25).
- 20 *Capital I*: 781–782 (Chapter 25).
- 21 *Capital I*: 783–784 (Chapter 25).
- 22 *Capital I*: 789–790 (Chapter 25).
- 23 *Capital I*: 792 (Chapter 25).
- 24 *Capital I*: 793 (Chapter 25).
- 25 *Capital I*: 798 (Chapter 25).
- 26 *Capital I*: 798–799 (Chapter 25).

8 Primitive accumulation

Part 8, which concludes the first volume of *Capital* (Chapters 26–33), deals with ‘primitive accumulation’ – the violent historical process whereby the conditions of capitalism were born. Had *Capital* been an historically structured analysis, primitive accumulation would have come first. Instead, it is at the end of Volume I, serving to specify how the preconditions of the establishment of mature capitalism were once created.

A full global history of capitalism’s emergence falls outside the scope of *Capital*. Still, a slight detour will here be made to offer a brief historical background to European capitalism, based on a variety of sources by Marx and later Marxist historians.¹ The intention is to add a longer historical perspective on capitalism, highlighting what makes it so different to what came before and proving it to be a social invention rather than a natural phenomenon. Marx repeatedly historicises capitalism in contrast to earlier modes of production, but the logical structure of *Capital* offers no room for any such chronological overview. The reader who wants to focus only on Marx’s *Capital* can jump directly to the section below named ‘Enter *Capital*’, which returns to Marx’s own analysis of primitive accumulation at the end of Volume I.

In the earlier, ‘Methods’ chapter, it was underlined how *Capital*’s logical presentation differs from the historical approach that will temporarily be taken in this chapter. Volume I starts with simple commodity production from which the whole capitalism system then seems to evolve almost logically, by its own necessity. The real historical establishment of this system was far more brutal. Rural populations were robbed of their soil and other possible means of subsistence and driven into factories, at the same time as slave trade, mass murdering and robbery in the colonies gathered that wealth from which industry could then grow. In *Capital*, this description of capitalism’s emergence through ‘primitive accumulation’ does not come until the last chapters. Besides highlighting how this system has emerged and become dominant, an historical digression also helps in understanding its limited character.

Capitalism has not always existed. We are so deeply formed by society that we tend to take it for natural, and it is not very easy to understand that people did previously – and will in the future – live in totally different circumstances. We must learn to see our own time and society as *history*, being in a state of

change and becoming the past, like all previous epochs. We must learn to see contemporary times from a distance, to understand self-evident social ‘facts’ as historically limited: as strange and temporary as those ideas and activities that once were self-evident among Egyptians, Aztecs or medieval Europeans.

Many economists, sociologists and even historians are blind to the specificities of their own times and argue as if contemporary behaviours and values were universally valid. For them, capitalism is an inevitable outcome of human nature and need never be explained. What they want to explain is instead the previous *absence* of capitalism: why ancient or medieval people did not succeed in creating this ‘natural’ social order – the allegedly best of all societies. Common explanations point at tradition, superstition and oppression preventing commodity production and private initiative to flourish.

To Marx, capitalism is no inevitable outcome of human nature: instead, this so-called ‘human nature’ is itself produced by prevailing social forms. The following digression will illustrate the historically limited character of capitalism, the relativity of concepts like ‘human nature’ and some selected steps by which societies gradually evolved into the current one, briefly comparing older societies with capitalism.

Capitalism is different

The aim of all production is consumption. Human needs are the ultimate motivating force of production. It therefore seems reasonable that human needs should direct production, and this has also been the case in all previous history: only *whose* needs should govern production has differed through the ages.

Capitalism is the first society to break up this connection between needs and production. In contrast to the ruling classes of older times, capitalists do not organise production on the basis of their own personal needs – nor of anyone else’s needs. The demand for profit is built into the forms of production and is independent of who owns the means of production and what conscious intentions they have.

Marx showed that capitalism is the highest form of commodity production, resting on two key factors: (1) that each commodity must be able to satisfy someone’s need and thus have a use-value; and (2) that commodities are exchanged in certain proportions on the basis of their exchange-values. Use-value is a qualitative concept and cannot be measured by any number, whereas exchange-value is a quantitative concept that can be measured in money. In all previous modes of production, the qualitative use-value aspect was most important, while in capitalism the quantitative exchange-value aspect dominates. Everything is for sale – has commodity form – and has a comparable price. All production must give profits to be reinvested so that accumulation expands. Growth rate is the leading value. The impersonal laws of the market appear as relentless natural forces: unprofitable production goes bankrupt regardless of what important human needs it may satisfy, as for example with the insufficient production of medicines for starving populations.

This ruthless focus on growth has been efficient for developing production methods. Capitalism's focus on expansion has created material and social conditions for seriously meeting people's needs. If production could be reorganised so as to again return to qualitative purposes, it could potentially for the first time in history be directed towards everyone's needs, not (as always before) just those of a ruling minority. Such a society is what Marx called a communist society, inspired by the short-lived democratic experiment of the 1871 Paris Commune, which was so radically different from those authoritarian dictatorships of the following century that have since made it impossible to use that term in the same utopian manner:

In a higher phase of communist society, after the enslaving subordination of the individual to the division of labour, and therewith also the antithesis between mental and physical labour, has vanished; after labour has become not only a means of life but life's prime want; after the productive forces have also increased with the all-around development of the individual, and all the springs of co-operative wealth flow more abundantly – only then can the narrow horizon of bourgeois right be crossed in its entirety and society inscribe on its banners: From each according to his ability, to each according to his needs!²

In capitalism, qualitative differences tend to appear as quantitative. A feudal lord lived by the labour of oppressed farmers, and the distinction between the lord and the serf was generally perceived as a difference in kind. Measuring this difference had no meaning. In capitalism, differences between the living conditions of different classes is mostly understood in quantitative terms as measured by statistics. But such quantitative differences are surface symptoms of deeply seated social relations. The difference in kind between Bill Gates's life situation and that of a call-centre worker is as giant as that between the serf and his master.

Before classes

'The history of all hitherto existing societies is the history of class struggles', wrote Marx and Engels (1848) in *Manifesto of the Communist Party*. They later had to slightly correct this statement, when anthropological research had discovered that the oldest societies were based on communal ownership. This stage of society, before the division into classes, Marx and Engels sometimes called 'primitive communism'. Gathering and hunting tribes regarded ownership in almost the opposite way to today. For nomadic people without transporting animals, property just hindered mobility. They strove to own as *little* as possible, and never carried more than a very few necessities.

In such societies, people tended to spend surprisingly little time on working for survival. 'Why should we plant when there are so many mongomongo nuts in the world?', a bushman is reported to have said.³ It has been calculated that

many hunter-gatherers only spent 2–5 hours a day working. When enough food was secured, work stopped until more food was needed. Besides the high value of mobility, social interaction and rest, the wish for food diversity also made it futile to store large quantities of anything. As agriculture developed, working time became longer and more continuous. Hunter-gatherers could easily have accumulated a considerable surplus by working more, but felt no need for it. Even when they later got access to modern tools, the first impulse was not to gather riches but to work even less. And labour was in such societies closely knit to family and religion. Production was for immediate use, rather than for exchange, and a generalised word for work as an abstract concept did not exist, as all labour was linked to specific activities. Terms for work, ritual and play were often identical, and there was no clear distinction between leisure and work.⁴

Exchange is often regarded as a form of trade: A wants something from B and offers something else in exchange. Among many other people, exchange was (and still is) instead often taking place through *gifts*: A gives B something and B is thereby obliged to give something back, in order not to owe a debt of gratitude to A. In such a relation, neither A nor B have explicitly wished to get what they received. The gift ritual is not primarily a way of saturating a need, but of forging a social relation by creating a bond. The element of social competition in gift giving can take extreme forms. In the North American Kwakiutl Indians 'potlatch' rituals, tribes overbid each other by offering ever larger gifts and parties that can become outright destruction of one's own property in order to break the records that the guests will never be able to beat and thereby humiliate them.

Gift rituals can evolve into trade, but sometimes in strange forms. The French anthropologist Maurice Godelier has analysed the economy of the Baruya people in New Guinea, who produce rods of salt and exchange it for other goods with neighbouring people.⁵ The Baruya primarily explain the rate of exchange with the collective need of the whole family and only secondarily with the amount of work invested. Labour is seen as something past and forgotten, and the balance of exchange is based on social needs rather than labour-time.

Patriarchy

Classless societies were rarely egalitarian. Two types of inequality are almost universal: between men and women and between the old and the young. These modes of inequality are united in patriarchy, in which the 'family father' (paterfamilias) dominates his household. This, the oldest type of societally organised oppression, in its most ancient shape seems rooted in the dominance of the flock leader. While households may at first be formally equals to one another, there is a basic inequality *within* each of them. As different households rarely have equal resources, due to differences in number, age distribution, work capacity and habitation, society tends to develop new and more complex forms of inequality and dominance. Households are often interlinked through

kinship relations. No simple biological formula explains who counts as relatives, and family relations are always socially determined. It may be relatively obvious who is the biological mother of a child, but already less evident who is the father, and even harder to define siblings or cousins, or to draw the limit as to how many links count as binding one household together.

When households are defined as *families*, and these belong to larger sets of *kins*, extended into *dynasties* and/or *tribes*, this inevitably stratifies patriarchal power on several levels. Ranking family levels soon becomes a ranking of branches of kinship and, when families unite or split, some tend to assume leadership functions, giving rise to hierarchical distinctions between 'noble' and 'common' families. This turns into a proper *class society* when power and work are separated in that power is gathered in a social group that lives on the labour of another. Patriarchal power rests on some degree of silent support from the dominated households, lending it legitimacy. Class power is based on oppressing the dominated strata of society. Boundaries may sometimes be difficult to draw, and societies may balance on the border to class formation for a long period before the definite step is taken. Single non-working chiefs or priests, or a limited number of slaves, may exist before there is a true class society. In the workforce of a household, comprising people of different degrees of subordination, the slave is at the bottom of the social ladder. The number of slaves can serve as basis for inequality between households, but when slave labour is common enough to free slave owners from working themselves, a true *slave society* has been born.

Ancient slave societies

In the first millennium before Christ, Sparta, Athens and other small Greek city states developed societies based on slavery. Sparta was never a true slave society. All its original population was enslaved as 'Helots' who continued to till the soil, but now for the Spartans, while these Spartans were full-time engaged in military service to keep the Helots under control. The Spartan military technology ('hoplit' infantry) spread to other Greek cities with a quite different social function.

In Athens, society was divided by tensions between aristocratic landowners and small farmers who risked enslavement through indebtedness. A series of compromises secured social unity through a modified class order. The new infantry technique demanded a broader composition of the army and, by abolishing slavery as punishment for unpaid debts, a sharp limit was drawn between landowning citizens who retained freedom as they were needed as soldiers and slaves who henceforth had to be acquired from the outside. The upper-class need for slaves demanded both war and trade. All who could do so got slaves in order to secure leisure time for participating in government. Step by step, this gave rise to the unique Athenian democracy. In contrast to the Helots of Sparta, who lived in their own families and tilled the soil that the Spartans had taken from them, Athens' slaves never rose in rebellion. They

came from different countries and usually worked in smaller households and therefore had less contact with each other than with their owners. Their mutual fragmentation prevented them from engaging in joint class struggle. Military service therefore became much less demanding than in Sparta, and the leisure time that slavery enabled could instead be used for political and cultural life. Athens' citizens were so far the broadest ruling class in history, in particular when a fleet had been established and citizen rights were extended to its oarsmen. Within this group of free men, democracy was more complete than it had ever been anywhere before modernity, with the exception of temporary revolutionary situations. Communal meetings often demanded 6,000 participants to be considered legitimate, there was work rotation, commissioners were selected by lots rather than elections and they were always directly responsible to the people's assembly. What made possible this rich freedom was the even more total un-freedom of slaves and of women, who still lacked democratic rights.

In spite of this lively cultural and scientific development, its mode of production did not evolve. Slavery was a blind alley. It allowed more control over production than any other system before capitalism, but this advantage remained largely unused, since the whole point with slavery was to liberate citizens from production. This is partly reminiscent of the lack of incentive for developing productive forces among hunters and gatherers.

The Roman Empire was also built on slavery, on an even larger scale, using slave labour also in large-scale agricultural production, which now and then led to slave rebellion. This large-scale production with lively trade and finance activity has led some historians to talk of a 'Roman capitalism', but the Roman system functioned quite differently than true capitalism. The Roman upper class certainly also strived for prosperity but, while a capitalist uses his wealth to further increase that wealth (and in fact has to do so, as will be explained later), the Roman wanted to *spend* his riches. It was for him a means to live extravagantly and become popular or respected by arranging spectacles or supporting the arts, to make a political career or to hire an army to gain honour and fame. This was true for the real upper class: the senators. The smaller production run by slaves and craftsmen without citizenship could expand in a stunning rate, but even there expansion never became a self-sufficient goal. When it had reached its qualitative goal, the motivating force ceased: the slave wanted to buy his freedom, the foreigner wished to become a citizen and the liberated ex-slave wanted his sons to gain citizenship.

Only with capitalism could an expansive force gain sufficient independence from the will of individuals. The aim of Roman entrepreneurs was to become part of the ruling class, and if they reached that goal, the pleasurable *use* of their wealth became their key focus, not its quantitative *growth*. Use-value thus still dominated over exchange-value.

Roman slave society was totally and increasingly dependent on warfare. Poor small farmers were robbed of their soil and forced to be soldiers in armies used by the big landowners for conquering more slaves and more soil. The more slaves, the larger the estates and the greater the dependence on acquiring new

slaves to run the estates. Finally, the Roman Empire evolved into almost a military dictatorship. But the sharpening oppression paradoxically made the difference between slave and free citizen less important, which erased the foundation of the whole social system. Efforts were made to reorganise the Empire, but in vain. Weakened by internal problems, the Roman Empire succumbed to the attacks of northern Germanic peoples.

Very few societies have been pure slave societies. Greece and Rome are the main examples in Europe, but there were others in other continents. The most common pattern for a class society is different, in that a majority population of farmers are forced to pay tributes to a more or less militarised ruling class. This was the case with the new *feudal* society that evolved in Europe after the fall of the Roman Empire in the fifth century.

Feudalism

Classical Roman society drew the main line between slave-owning free citizens and slaves. Between them was a series of intermediary supervisors, bailiffs and assistants at various levels, but these were normally also slaves. A trusted slave could be rather influential, and in practice have more power and property than many free men. Yet he was a slave, and his position depended on his owner's favour. If he lost that, he could immediately be deprived of all his belongings, even life, without anyone else bothering the least about it.

In feudal society, power was mediated step by step through *enfeoffment* (the right to live at the expense of the farmers in a certain area) or *vassal* relations, where a lord distributed power to his subordinate allies who in turn could delegate it further in vertical chains of supremacy and subordination. Here, the decisive boundary was not as in Rome directly under the top step, but right above the lowest: the limit between farmers and lords. This made the concept of freedom much more relative than in slave societies. In Rome, even a poor citizen had in principle (though rarely in practice) the same rights as a big landowner. In feudalism, a free farmer was on the same level as the serf: he was not master above anyone else, but above him was at least one lord – the king – who could give power over him to a vassal aristocrat. Nobody was totally free except the king, emperor or Pope, who theoretically had his power as 'vassal' to God. The ruling strata of feudalism consisted of two parallel hierarchies: the secular and the sacred power pyramids. The organisation of priests was more international than that of kings, but there was also much co-operation between them. According to medieval ideology, freedom was thus always linked to serving: the road to power and fulfilment went through taking service with a master, and nobody could stand outside such relations of dependence. A knight or sheriff who served his master well could be rewarded with an enfeoffment.

Enfeoffments are usually interpreted as the feudal lord giving away a piece of land in exchange for the vassal's duty of service (primarily to assist his master with armed force). But it was actually more an issue of sharing power over people. Power and property cannot be separated under feudalism: they were

two aspects of the same social relation. It was impossible to say precisely who *owned* a piece of land: the farmer who tilled it, his lord and his overlords all had different kinds of claims on the soil. This implies that politics and economy were indissolubly united and that state and society had not yet been differentiated. Economic relations of ownership were always also political power relations, and all built on personal dependence, together with the dependence of all society on the forces of external nature.

Since enfeoffment was a normal form of reward (like salary is today), the feudal power pyramid had a tendency to grow. The burden of tributes and fees on farmers at the base of the pyramid increased. Differences between free farmers and serfs diminished, when burdens on all farmers grew. At the same time, the manner in which surplus labour was extracted changed through the centuries.

In early feudalism, the *estate system* dominated, where farmers had to work certain days a week on the lord's soil. Farmers got no salary (as later farm workers would have) and often not even food to survive (as slaves had got). Instead, to survive they had to work on their own small piece of land the rest of the week.

These farmers were mostly serfs. They had more legal rights than slaves, but these personal rights were still strongly limited. They needed the lord's permission to move, marry or buy and sell land. Gradually exploitation was transferred to such methods that could most easily be extended to the free farmers. Since the lord was also the representative of state power in his fief, he could use this position to tighten his grip. Taxes, fines, customs and fees of all kinds grew. Since farmers tended to work harder on their own soil than on that of the lord's estate, duties based on the farmers' own production tended to be more profitable than the day's work on the lord's soil. This led to the slow decay of the grand estate system, which had demanded strict labour management. (In this respect, East Europe was different in terms both of content and tempo.) The farmers' own production tended to be more efficient, in particular for the free farmers. If exploitation was relatively mild, there was no reason for the farmer to work harder than to secure his family's necessary means of subsistence (as with hunters and gatherers), but the more that exploitation intensified, the more efficiently the farmer had to work in order to cover those necessary needs. The harsher oppression, the more the farmer was forced to develop the productivity of his household – up to a certain limit. The dynamics of feudal agriculture is based in a tussle over the potential surplus that the farmer could produce besides caring for his family's subsistence. The result of this struggle depended on the relative strength of the classes:

- 1 If the lords were too strong, they could drive exploitation so far as to break down the farmers and impoverish the soil.
- 2 If the farmers were very strong, production would stagnate by being limited to their reproduction needs plus a minor tribute to the upper class.
- 3 If the forces were 'in balance' and there were shifts of power between them, agricultural productivity increased, and if the lords could cash in on the rising productivity by intensifying the pressure, agriculture developed faster.

The highest increase in agricultural productivity was in West Europe, where the estate system lost its importance and forced labour almost disappeared. Instead, the lords increasingly chose to exploit farmers by monetary fees. This made the most efficient mode of production dominant and it also became easier to increase the exploitative pressure: an extra day of forced labour could destroy production instead of raising it, while a new fee could be fine-tuned in relation to how much there was to appropriate. The estate soils were normally rented out to farmers who wanted more land, which increased the stratification among farmers. Richer farmers extended their soil and they hired poor crofters with insufficient land of their own to assist them in farming it. Here was one of the roots of the future capitalist class.

Exploitation was thus transferred from labour duties to fees, and these fees were gradually transformed from in kind (agricultural products) to monetary form. It was the dawning of a new era.

Merchants and craftsmen

Ever since coins were introduced in Mediterranean trade cities around 600 BC, money has been surrounded by suspicion and was often seen as a threat to the old social order, breaking apart traditional bounds and norms, breeding mischief and hostility. The Catholic Church for instance condemned usury – lending out money against interest. This suspicion was largely justified. Even though money was clearly useful, it is true that money – and commodity production in general – has a dissolving function on inherited traditions and social relations in pre-capitalist societies. Commodity production follows other rules and breeds other attitudes among people than those that previously dominated. Commodities trade had eroding effects on the inner life of a society. This eroding role of commodity production, money and trade is further discussed in *Capital* Volume III, but it should already at this stage be noted that a capitalist mode of production did not emanate directly from the growing trade in feudalism, as might perhaps be expected.

The transition from feudalism to capitalism had traits of a transition from a self-sufficient economy to one built on money and markets, with trade as the transforming factor: an alien, dynamic element that decomposed the static feudal society. But it is problematic to see the merchant as a subversive agent. Medieval merchants mainly traded with estate owners, and their activities were therefore totally dependent on feudal exploitation. Trade did not function in quite the same way in pre-capitalist as it does in capitalist societies. In capitalism, trade transforms the surplus product of society into exchange-value (money) and then back to new means of production and new labour-power, aiming for valorisation, measured in exchange-value. In feudalism, the function of trade was to transform the use-value of the surplus product: the feudal fees that formed the income of the lords consisted mainly of agricultural products from the farmers. The aim was to sustain the luxury consumption and armament of the lords. This was secured partly by letting these fees pay for specialised craftsmen and buying certain goods through trade, i.e. exchange with merchants. Craftsmen

and merchants were originally often linked to feudal households, but they gradually reorganised themselves more independently into new town guilds and fraternities.

Merchants and feudal lords shared an interest in solving their mutual differences and, through the sharp boundaries between town and country, the richer merchants got access to ruling class positions, as urban counterparts to the rural aristocracy. They came to dominate the ruling bodies of cities, and their power over the craftsmen who populated these cities made them increasingly interested in defending traditional privileges. Far from becoming any counter-feudal revolutionaries, they thus were increasingly in tune with the feudal lords.

Craftsmen were organised in guilds – regulated professional organisations securing the esteem and privileges of these crafts. Only the master who belonged to a guild had the right to perform his profession. If someone wanted to become a craftsman he first had to be apprentice to a master, then journeyman and assistant to the master, and only after several years become a master of his own.

Guild rules prevented mutual competition, kept production within prescribed limits and watched over the quality of products. The ideal was that all goods should have the same quality and all craftsmen masters be equals. The guild was ideally a democratic organisation of patriarchal craftsmen households. There were germs of inner contradictions around the issue of when journeymen were allowed to become masters but, initially, the tension towards merchants dominated. Merchants had higher social status and greater wealth, and craftsmen also depended on them to get access to raw materials. Merchants also strove to control the sales of crafts products. Gradually, merchants infiltrated the guilds, taking over both control and profits. This led to a power struggle between craftsmen and merchants.

Trade profits from the guilds depended on their monopoly position. Merchants therefore had no reason to change the mode of production and break the static character of the guilds that limited competition. Instead, new guilds founded by craftsmen besides those old ones dominated by merchants created new forms of competition. Those crafts masters who led the new guilds had a similar exploiting role to the merchants in the old ones. A gradual process eroded the uniformity and stability of guilds, and urban production came to be organised in new ways.

Here is another root of the capitalist class, besides the rich farmers mentioned above. The chief craftsmen masters exploited the labour-power of their apprentices and journeymen, and held down minor masters to journeyman level. They competed with merchants for profits, and their incomes no longer mainly derived from guild monopolies but from control over the labour of others. Broken monopolies lowered prices, which led to expanded production for the markets of the growing cities, with more efficient production methods, no longer bound by traditional guild rules.

Capitalist breakthrough

Simultaneously with the appearance of the new capitalist class, its equally new counterpart emerged: the wage-labouring working class. In developed

capitalism, the worker is dissociated from the means of production and has to sell his labour-power in order to survive. No farmer or craftsman would voluntarily work in somebody else's workshop instead of sustaining himself with his own tools. But the emerging capitalism in agriculture and guilds started to separate workers from their means of production: soil and tools.

Estate lords and big merchants enriched themselves by controlling production, but profits from new relations of exploitation emerging *within* that production were reinvested in expanded production. The struggle between feudalism, based on regulation and privileges, and capitalist free competition continued for centuries. This is what Marx called 'primitive accumulation'. It created the capitalist class as well as the working class, but also their specific social relations, centred on production. In capitalism, products were commodities on a market, and labour-power was dissociated from the working person and became a commodity that could be sold and bought. The worker became *doubly free*: free to decide over his own labour-power (no feudal lords forced him to work for them), but also 'freed' from the means of production – i.e. deprived of his means of sustenance and thus forced to sell his labour-power in order to survive.

Capitalism therefore starts by in various ways dissolving the links between people (old privileges and hierarchies) as well as between workers and means of production (primarily by expelling the agrarian population from the soil), in order to create the capital-relation with wage-labour and capital as the new poles of production. Capitalism offered people capacities to partially overcome direct dependence on soil and nature through new technology, new knowledge and new social organisation. Instead, a more invisible dependence arises, this time on capital as an abstract social force: society became like a 'second nature'. The open personal dependencies of feudalism were substituted by blind economic laws. Development was uneven, but with the following main stages:

- 1 The early medieval *household or family system*: household members produced goods for their own use, not primarily for sale on the market.
- 2 The medieval *guild system*: production was organised by independent masters with subordinate assistants (journeymen and apprentices) who produced for a small and stable market, owning raw materials and tools, and not selling their labour-power but the products of their labour.
- 3 The sixteenth to eighteenth centuries' *workshop system*: production continued in homes for growing markets, but masters depended on an entrepreneur who stood between them and customers and, while workers could still own their tools, they became wage-labourers doing piecework.
- 4 The nineteenth-century *factory system*: production for a growing and dynamic market took place under strict supervision in the capitalist's buildings, workers had lost control over production and machinery shrank the importance of craft skills.

Industrial capitalism was born and capitalism became the dominant mode of production. This emergence of capitalism transformed the whole of society – not

just work but also everyday life, including families, ethics, religion, arts, schooling and relations to nature. For instance, the religious developments are parallel to the shift in modes of production.⁶ Catholicism was both part and mirror of feudal hierarchy, fixity and personal power relations, while seeing interest and profits as sinful greed. Protestants instead regarded capitalist profits as testimony to admired bourgeois virtues of diligence and thrift. The Catholic God was a unique but distant personality heading a strict hierarchy of Virgin Mary, saints, popes, bishops and priests. The Protestant God was instead an abstract moral power inside each human being, parallel to how capitalist mechanisms intervene in all nooks and corners of human life. The farther capitalism evolved away from the craft stadium, the more the protestant ethics again changed. Today, work has to compete with consumption as the moral centre of people's lives, and what legitimises capitalism itself.

This has indicated how contemporary society is historically unique and different from all previous ones. Capitalism was really completely new in human history. There are recognisable phenomena in the distant past as well, but they are in other contexts and therefore have different implications. Concepts like work, love, happiness, knowledge and politics have drastically changed meanings. There is a tendency to forget this and project capitalist ideas of our own time backwards in history, even when they do not really fit. This breeds a false belief that life has always been like it is now and will always remain the same. Marx's work carefully investigates such basic concepts to show what they mean in the specific historical epoch of capitalism, helping to see differences from the past and to envisage a possible post-capitalist future.

Enter Capital

Marx presents his analysis of primitive accumulation at the end of Volume I, in a chapter full of social reportage and engagement, as he uncovers the discrepancies between the harmonious ideologies of capitalism and its real and violent pre-history. He shows how on the one hand enormous riches were accumulated in the hands of a few capitalists, while on the other hand the dual freedom emerged that forced growing masses to work for these capitalists in order to survive.

This analysis shows how modern capitalist society was created through violence, fraud and slavery. It also shows that the beginning of capitalism differed from its continued reproduction, even though methods of primitive accumulation continue in many parts of the world. A third implication is to show that capitalism drastically differed from and violently destroyed other kinds of society and social relations that existed before. Capitalism is a relatively new construction: it is an historical phenomenon and can therefore also be transformed in the future. Capitalism appears as a natural system, but Marx aims to '*de-naturalise*' it.

How to become a capitalist? It is often said that one just has to work from the bottom. It is a long route, but people are known to have made it, so perhaps it is just laziness that makes the majority remain wage-labourers all their lives? Similarly naïve explanations are often suggested concerning how capitalism

was born, and Marx opens his historical odyssey by making fun of those who falsely believe that capital was born when thrifty people hired lazy ones to work for them.

Long, long ago there were two sorts of people; one, the diligent, intelligent and above all frugal élite; the other, lazy rascals, spending their substance, and more, in riotous living. The legend of theological original sin tells us certainly how man came to be condemned to eat his bread in the sweat of his brow; but the history of economic original sin reveals to us that there are people to whom this is by no means essential. Never mind! Thus it came to pass that the former sort accumulated wealth, and the latter sort finally had nothing to sell except their own skins. And from this original sin dates the poverty of the great majority who, despite all their labour, have up to now nothing to sell but themselves, and the wealth of the few that increases constantly, although they have long ceased to work.⁷

A few individuals with great luck and ambition may also be able to climb from wage-labour to capitalist power, but the great majority of today's capitalists have inherited their capital across several generations. The big fortunes gathered in the sixteenth to eighteenth centuries also did not come about just by diligence and thrift. There were other and less honourable methods. The separation of ownership of means of production and of labour-power is the basis of the capitalist mode of production. Primitive accumulation was that historical process through which the strict divide between capital (owners of material wealth and means of production) and labour (owners of labour-power) became that established norm and basis. This presupposed a multiple separation process, in particular between workers and the means of production.

Free workers, in the double sense that they neither form part of the means of production themselves, as would be the case with slaves, serfs, etc., nor do they own the means of production, as would be the case with self-employed peasant proprietors. The free workers are therefore free from, unencumbered by, any means of production of their own. With the polarization of the commodity-market into these two classes, the fundamental conditions of capitalist production are present. The capital-relation presupposes a complete separation between the workers and the ownership of the conditions for the realization of their labour. As soon as capitalist production stands on its own feet, it not only maintains this separation, but reproduces it on a constantly extending scale. The process, therefore, which creates the capital-relation can be nothing other than the process which divorces the worker from the ownership of the conditions of his own labour; it is a process which operates two transformations, whereby the social means of subsistence and production are turned into capital, and the immediate producers are turned into wage-labourers. So-called primitive accumulation, therefore, is nothing else than the historical process of

divorcing the producer from the means of production. It appears as 'primitive' because it forms the pre-history of capital, and of the mode of production corresponding to capital.

The economic structure of capitalist society has grown out of the economic structure of feudal society. The dissolution of the latter set free the elements of the former. [...]

The starting-point of the development that gave rise both to the wage-labourer and to the capitalist was the enslavement of the worker. The advance made consisted in a change in the form of this servitude, in the transformation of feudal exploitation into capitalist exploitation.⁸

Marx finds the first sporadic traces of capitalist production as far back as the fourteenth century, but argues that 'the capitalist era dates from the sixteenth century', after the abolition of serfdom and the decline of independent city-states.⁹ In pre-capitalist times, the great mass of farming producers were bound to their soil but able to survive on its harvests. They owned their means of producing the necessary means of subsistence. Even serfs in some sense had a certain right to the soil. Marx vividly describes how these farmers in England were expelled from their basic conditions of survival – the farming grounds.

The expanding wool manufacture transformed the farming fields into pasture for sheep, as sheep farming became a key source of income for big feudal landowners. The more wool production grew, the more agricultural producers were violently expelled from their lands. The serfs who survived by day-work for these landowners were also deprived of their means of existence and forced to become rootless vagabonds, since there were not yet enough labour employments in the emerging capitalist manufacture. Horrible laws made their lives extremely difficult.

Thus were the agricultural folk first forcibly expropriated from the soil, driven from their homes, turned into vagabonds, and then whipped, branded and tortured by grotesquely terroristic laws into accepting the discipline necessary for the system of wage-labour.¹⁰

A concentrated mass of means of production stood as capital against the masses of workers forced not only to sell their labour-power but also to accept the requirements of the capitalist mode of production as 'self-evident natural laws':

The organization of the capitalist process of production, once it is fully developed, breaks down all resistance. The constant generation of a relative surplus population keeps the law of supply and demand of labour, and therefore wages, within narrow limits which correspond to capital's valorization requirements. The silent compulsion of economic relations sets the seal on the domination of the capitalist over the worker. Direct extra-economic force is still of course used, but only in exceptional cases. In the ordinary

run of things, the worker can be left to the 'natural laws of production', i.e. it is possible to rely on his dependence on capital, which springs from the conditions of production themselves, and is guaranteed in perpetuity by them. It is otherwise during the historic genesis of capitalist production. The rising bourgeoisie needs the power of the state, and uses it to 'regulate' wages, i.e. to force them into the limits suitable for making a profit, to lengthen the working day, and to keep the worker himself at his normal level of dependence. This is an essential aspect of so-called primitive accumulation.¹¹

This quote highlights one side of the capital-relation: how the capitalist working class was formed and came to collectively accept wage-labour. Selling one's labour-power had to become the normal rule. All pre-capitalist ideas and ways of living had to be eradicated in the mass of the population. Laws, hospitals, schools and the printed press all took part in this, together with the brute material force of the market economy itself.¹²

The English ruling classes used state power to secure the divorce between workers and means of production. In a delicate transition period, this was a guarantee for the spread and acceptance of the capital-relation. It was not state laws that initially gave capitalist power, but their economical power did secure a decisive control over legislation.

However, Marx also mentions that several of these laws were already installed in the fourteenth century and were actually abolished when the capitalist bourgeoisie came to power in the nineteenth century. And the earlier discussion of the normal working day regulations showed that the mid-nineteenth century saw legislation *against low wages* rather than against too high wages. This may seem to contradict the analysis of primitive accumulation, where the bourgeoisie is depicted as using parliaments and laws to support their own interests at all costs. This is a warning against overgeneralisation and a pledge for differentiating between how the state apparatus functions in class struggle at various points of historical development.

Simultaneously, simple commodity producers in the cities went bankrupt, as they lost their customers to cheaper products of the manufactures, where these craftsmen finally instead had to get hired as wage-labourers. In this manner, the majority of producers were violently divorced from their means of production and subsistence (land, house and workshop) and transformed into 'free' wage-labourers, while a minority by rough means took control over all means of production in society.

Capitalist production demands considerable sums of money. Europe's sources of gold and silver were soon insufficient. Italian merchant societies gathered large sums through trading in the Orient. Aristocrats and royal families invested some of their fortunes as well, while Portuguese and Spanish conquistadors during half a century exterminated some 50 million American Indians and thereby gained access to enormous amounts of gold and other riches to invest in manufacture. In seventeenth-century England, all the main elements of primitive accumulation were combined.

These methods depend in part on brute force, for instance the colonial system. But they all employ the power of the state, the concentrated and organized force of society, to hasten, as in a hothouse, the process of transformation of the feudal mode of production into the capitalist mode, and to shorten the transition. Force is the midwife of every old society which is pregnant with a new one. It is itself an economic power.¹³

Marx here uses the word ‘*Gewalt*’, which means both force and violence. Direct violence thus plays a key role in the pre-history of capitalism. If money “comes into the world with a congenital blood-stain on one cheek”, capital comes dripping from head to toe, from every pore, with blood and dirt’.¹⁴ Primitive accumulation is no fairy tale, but the violent and (in several senses) primitive appropriation of the proletarianised masses. It means ‘the expropriation of the immediate producers, i.e. the dissolution of private property based on the labour of its owner’.¹⁵

Primitive accumulation creates the necessary conditions for capitalism. Once capitalism is established, it manages to reconstruct at least most of these conditions by its own economic mechanisms, which Marx continues to show in the following volumes of *Capital*. On the one hand, fortunes grow big enough to form *capitals* capable of attracting labour-power into large-scale production of surplus-value. On the other hand, the broad masses of people are impoverished so that they cannot survive with their own means of production, but are forced to sell their labour-power as *wage-labourers*. Labour-power becomes a commodity. This demands a violent erosion of other, older ways to live and work. Third, the rich and the poor must stand against each other as ‘free’ commodity owners. A social relation – the *capital-relation* – must be established, where wage-labour and capital are two sides of the same process.

The capital-relation could not be installed just anywhere. Merchants were needed to gather the fortunes that could be transformed into capital, and to subvert older modes of production. But – as was shown above – their activities were in themselves insufficient to fully explain the societal transition to capitalism. Trade grew also in Classical Greece and Rome, but this never led to the birth of industrial capitalism.

What was further needed was a process whereby workers were divorced from the means of production without becoming real slaves. This demanded the existence in feudalism of social groups that could give birth to the conditions that capitalism demanded. And this was before they had any map or plan of what result they were striving towards. The feudal society was a much more suitable breeding ground for capitalism than were ever slave or tribal societies. Different Marxist historians have debated whether trade and money or agriculture and class struggle were most important in the transition to capitalism but, for Marx, it seems to have been a complex combination of these and other factors, rather than any simple and one-directional logic at work.

When finally capitalism has been fully established in the world, it disseminates in several dimensions, with or without direct violence. Colonialism caused immense

sacrifices of lives and well-being, while modern imperialism sometimes can rule just by the workings of international monetary systems.

Fully established capitalism reproduces these three conditions more or less automatically through the workings of capitalist accumulation, described in the previous chapter. It is not automatically established, but only through a difficult historical process where human action and class struggle are essential motors. The capital-relation is first *established*, it is then *disseminated* to widening levels of social life and widening world regions, and it must also be *safeguarded* against various disturbances and threats. Initially, this latter aspect is mainly a matter of crushing previous social relations and classes. Later, it becomes more a struggle against the working class, in order to keep the dominant capitalist mode in power and protect it against the sharpening inner contradictions and crises that it produces itself.

In several respects, capitalism is thus a self-reproducing system, using a number of fetish formations to counteract its own imminent dissolution. This makes it apparently natural and unshakable. But the establishment of this system has no logical ground in history. At key points, there was a need for active class intervention and violence. And these needs continue to reappear at each moment of crisis for the capitalist system.

Transformations ahead

In *Capital*, Marx uses England as the primary example.

The history of this expropriation assumes different aspects in different countries, and runs through its various phases in different orders of succession, and at different historical epochs. Only in England, which we therefore take as our example, has it the classic form.¹⁶

But he also mentions examples from other countries, both within Europe and worldwide – sometimes to show that certain phenomena were parallel on a global scale, at other times to point at contrasts and differences between regions. His naming of the English case as ‘the classic form’ can be problematised from a perspective that denies that any regional variant is more typical than the other. But the case of England is at least classical in the sense that it is the one that features most often in the classical economic theories of Marx’s predecessors and adversaries within bourgeois political economy.

Towards the end of *Capital I*, Marx briefly alludes to a possible future after capitalism, emphasising how it gives rise to tendencies that form the basis for its own dissolution. At the same time, he always stresses that, just as capitalism was once born out of class struggle rather than pure logics, it can be surpassed, but only through class struggle and conscious, organised action.

At a certain stage of development, it brings into the world the material means of its own destruction. From that moment, new forces and new

passions spring up in the bosom of society, forces and passions which feel themselves to be fettered by that society. It has to be annihilated; it is annihilated. Its annihilation, the transformation of the individualized and scattered means of production into socially concentrated means of production, the transformation, therefore of the dwarf-like property of the many into the giant property of the few, and the expropriation of the great mass of the people from the soil, from the means of subsistence and from the instruments of labour, this terrible and arduously accomplished expropriation of the mass of the people forms the pre-history of capital. It comprises a whole series of forcible methods, and we have only passed in review those that have been epoch-making as methods of the primitive accumulation of capital. The expropriation of the direct producers was accomplished by means of the most merciless barbarism, and under the stimulus of the most infamous, the most sordid, the most petty and the most odious of passions. Private property which is personally earned, i.e. which is based, as it were, on the fusing together of the isolated, independent working individual with the conditions of his labour, is supplanted by capitalist private property, which rests on the exploitation of alien, but formally free labour.

As soon as this metamorphosis has sufficiently decomposed the old society throughout its depth and breadth, as soon as the workers have been turned into proletarians, and their means of labour into capital, as soon as the capitalist mode of production stands on its own feet, the further socialization of labour and the further transformation of the soil and other means of production into socially exploited and therefore communal means of production takes on a new form. What is now to be expropriated is not the self-employed worker, but the capitalist who exploits a large number of workers.

This expropriation is accomplished through the action of the immanent laws of capitalistic production itself, through the centralization of capitals. One capitalist always strikes down many others. Hand in hand with this centralization, or this expropriation of many capitalists by a few, other developments take place on an ever-increasing scale, such as the growth of the co-operative form of the labour process, the conscious technical application of science, the planned exploitation of the soil, the transformation of the means of labour into forms in which they can only be used in common, the economizing of all means of production by their use as the means of production of combined, socialized labour, the entanglement of all peoples in the net of the world market, and, with this, the growth of the international character of the capitalist regime. Along with the constant decrease in the number of capitalist magnates, who usurp and monopolize all the advantages of this process of transformation, the mass of misery, oppression, slavery, degradation and exploitation grows; but with this there also grows the revolt of the working class, a class constantly increasing in numbers, and trained, united and organized by the very

mechanism of the capitalist process of production. The monopoly of capital becomes a fetter upon the mode of production which has flourished alongside and under it. The centralization of the means of production and the socialization of labour reach a point at which they become incompatible with their capitalist integument. This integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated.¹⁷

This anticipates the end result of the whole of *Capital*. The last chapter of Volume III was meant to deal with the classes, but was never finished. ‘Finally, since those 3 items (wages, rent, profit (interest)) constitute the sources of income of the 3 classes of landowners, capitalists and wage-labourers, we have the *class struggle*, as the conclusion in which the movement and disintegration of the whole shit resolves itself’, wrote Marx in a letter to Engels dated 30 April 1868, where he outlined his plans for *Capital*. The trinity of wages, rent and profit/interest was developed in Volume III and will be discussed below, but there is thus no systematic treatment of class struggle in this work, even though Marx wrote several things about it in other and more political than theoretical contexts.

Marx argues that in Western Europe ‘the process of primitive accumulation has more or less been accomplished’, but that it is otherwise in the colonies.¹⁸ He ends Volume I with a short chapter on colonialist exploitation, as a source both of raw materials and labour-power. This is only briefly sketched out, with no ambition of a full analysis, as he suggests that the functioning of capitalism in the old world is a sufficient basis for understanding its inner workings, based on the fact that

the capitalist mode of production and accumulation, and therefore capitalist private property as well, have for their fundamental condition the annihilation of that private property which rests on the labour of the individual himself; in other words, the expropriation of the worker.¹⁹

These words conclude *Capital I*.

Notes

- 1 The following historical background is a compilation of standard works in this area, including Marx and Engels (1848/1969), Huberman (1936/2006), Sweezy et al. (1967/1976), Gurevitj (1970/ 1979), Godelier (1973/1977), Anderson (1974/1996 and 1974/1979), Hobsbawm (1962) and Karlsson (1978).
- 2 Marx (1875/1970, Critique of the Gotha Programme).
- 3 Sahlin (1974/2004: 27).
- 4 Karlsson (1978: 22).
- 5 Godelier (1973/1977).
- 6 This has been emphasised both by Marx himself and by Max Weber (1934/1992).
- 7 *Capital I*: 873 (Chapter 26).
- 8 *Capital I*: 874–875 (Chapter 26).

- 9 *Capital I*: 876 (Chapter 26).
- 10 *Capital I*: 899 (Chapter 28).
- 11 *Capital I*: 899–900 (Chapter 28).
- 12 Krovoza (1976) offers insights into how abstract labour creates the conditions for letting immediate violence be replaced by internalised capitalist norms.
- 13 *Capital I*: 915–916 (Chapter 31).
- 14 *Capital I*: 926 (Chapter 31; Marx cites Marie Augier: *Du credit public*, 1842).
- 15 *Capital I*: 927 (Chapter 32).
- 16 *Capital I*: 876 (Chapter 26).
- 17 *Capital I*: 928–929 (Chapter 32).
- 18 *Capital I*: 931 (Chapter 33).
- 19 *Capital I*: 940 (Chapter 32).

9 Circulation of capital

With the transition from Volume I to Volume II, Marx moves from production to *circulation*, investigating more carefully than before how commodities and money are exchanged on the market. In Volume III, the competition between different capitals is analysed on an even more concrete level, introducing new groups of exploiters who take their share of surplus-value and thereby slightly redefine commodity values.

Considerably fewer Marxists have actually read these volumes than the more accessible first volume. Increasingly complex arithmetical examples have contributed to the lack of attention, and there are much fewer introductions and commentaries than for Volume I. However, there is no need to get stuck in numbers and tables. They can instead be used as clarifying illustrations of the general analysis of the tricky way in which capitalist economy is constructed. One must never forget that behind these figures and formulas always lie working people and social relations!

Marx now comes closer to the 'surface' phenomena of society, and the models presented will be increasingly recognisable in relation to daily experiences of contemporary capitalism. The examples presented will not abstract from as many concrete factors as before, and there will be more and more occasions to see how the successive forms of capital give rise to illusions, thought patterns and ideologies that structure both everyday consciousness and bourgeois economic theories. It remains crucial never to lose the links back to the beginnings of Volume I. Many of the earlier concepts will be fully developed as they now become concretised. This is for instance true for the concepts of value and of the fetish character.

Volume II will here be covered in two chapters. There is first a presentation of Part 1 (Chapters 1–6) and Part 2 (Chapters 7–17), dealing with the circuits and turnover of capital in general, while the next chapter covers the concluding Part 3 of Volume II, which analyses the reproduction and circulation of the aggregate total capital of a whole society.

Circulation

Until now, the focus has been on the direct production process. It has been shown that capitalists must always strive to let their workers produce as much

surplus-value as possible. Other phases in the circuit of capital reproduction have only been mentioned in passing. It is now time to study the whole circuit by which capital transforms itself through a series of different forms. Still, only the most general aspects will be dealt with, i.e. those that every kind of industrial capital must go through, irrespective of to which branch of production it belongs. Marx's presentation still moves within the abstraction level called 'capital in general', rather than that of many different capitals, which will primarily be treated in Volume III.

Capital is based on the production of value and surplus-value. But this production demands that the produced values are 'realised': that the commodities are converted into money and sold at their true values. The capitalist must find customers for the commodities he has let his workers produce and he must then further also find commodities of the right kind and amount to buy on the market: labour-power and means of production, but also consumption goods for his own personal use. If any of these steps fail, the capitalist production process would have been in vain and, if the circulation of capital halts, so would the production process. In reality, this generally only happens in times of deep crisis, which will be discussed later. What secret mechanism allows capitalism – in spite of its individualised character where everyone only seems to care for his own profits – to distribute commodities in a relatively balanced manner between different processes of production?

Before the abstraction level of 'capital in general' is abandoned – before problems related to distinctions between different individual capitals can be dealt with – this general analysis must be extended to cover the whole circuit through which capital is transformed into a series of different forms (commodity products, money, means of production and labour-power) and how different capitals can in principle be interlaced.

In the previous analysis of the production process, problems of circulation were neglected. It was for instance always taken for granted that commodities were sold at their correct values. In order to proceed, it must be shown that such a functioning circulation is at all possible at this level of abstraction – or else the preceding analysis would not hold!

This chapter will take for granted all that was discussed in previous chapters: that all processes of production work normally, that value and surplus-value is produced, that the working class as well as the capitalist class reproduce themselves, that means of production are produced and function as intended, etc. What is to be investigated here is how commodities and money move in order to make possible the whole circulation process of capital in society at large. In a letter to Engels dated 30 April 1868, Marx wrote:

In *Book II*, as you know, the *process of circulation* of capital is presented on the basis of the premises developed in *Book I*. I.e. the new determinations of form which arise from the process of circulation, such as fixed and circulating capital, turnover of capital, etc. Finally, in *Book I* we content ourselves with the assumption that when, in the valorization process, £100

becomes £110, it *finds* the elements into which it is converted anew *already in existence* in the market. But now we investigate the conditions under which these elements are to be found in existence, that is to say, the social intertwining of the different capitals, of parts of capital and of *revenue* (= m).¹

A summarising passage in the middle of Volume II is also instructive:

In Volume 1, the capitalist production process was analysed both as an isolated event and as a process of reproduction: the production of surplus-value, and the production of capital itself. The formal and material changes undergone by capital in the circulation sphere were assumed, and no attempt was made to consider their details. It was therefore assumed both that the capitalist sells the product at its value and that he finds in the circulation sphere the material means of production that he needs to begin the process anew or to continue it without a break. The only act within the circulation sphere which we had to dwell on in that volume was the purchase and sale of labour-power as the basic condition of capitalist production.²

And at the outset of Volume II, Marx states that ‘the different forms with which capital clothes itself in its different stages, alternately assuming them and casting them aside [...] will now be the immediate object of our inquiry’.³

The *circulation sphere* is the societal mechanism where capital circulates – where money and commodities are mutually exchanged. It contrasts with the sphere of production, where labour-power is used and consumed in order to create value and use-value. The *circulation process* stands for the circuit of capital as a whole, where it goes through various metamorphoses (form transformations), including both commodity exchange and production. In what follows, the two concepts may seem interchangeable, as the concept of *circulation* in general covers them both: the production process is taken for granted in the following, and thus not further scrutinised in Volume II. The concept of circulation can actually also be understood in an even wider sense, covering all sorts of exchange between commodities and products, whether part of the circuit of capital or not, but this need not bother us more here.

It should also be noted that one reason why Volume II seems more filled with numbers and formulas than with lived experience is that it analyses the circulation process ‘from above’. Workers here appear mainly as buyers of consumer goods and sellers of labour-power and not primarily as direct producers, even though that function of course remains the basis of value production and the very existence of capital.

The circuits of capital

When the accumulation of capital was previously investigated, a formula for the capitalist production process was constructed that may be abbreviated thus:

$$M \rightarrow C \dots P \dots C' \rightarrow M'$$

This circular movement of capital takes place in a series of three stages: (1) the capitalist appears as a buyer on the commodity- and the labour-market, transforming his money into commodities through the circulation act $M \rightarrow C$; (2) the purchased commodities are productively consumed by the capitalist, acting as a capitalist producer of commodities – his capital thus passes through the production process $C \dots P \dots C'$, resulting in a commodity of more value than that of the elements entering into its production; (3) the capitalist returns to the market as a seller, and his commodities are turned into money through the circulation act $C' \rightarrow M'$.⁴

This process can now be extended or multiplied, if the resulting money (M') is again reinvested in means of production (c) and labour-power (v), etc. This leads to an indefinitely long chain of transformations that expresses the circuit of a capital through different forms. Depending on where in this chain one begins and ends, i.e. which form of existence of capital is the point of departure, different aspects of the whole circulation process come to the fore.

The circuit of money capital

One may first start with the advanced sum of money (M), as is done in the formula above. Money is then first transformed into productive capital, in the form of labour-power and means of production that are combined and put to action in the production process (P). This transformation demands that there is an appropriate amount of the required kind of all the elements of productive capital for sale on the market: machines, raw materials and labour-power. It presupposes that workers can buy for their wages means of subsistence so as to survive and be able to work, since they would otherwise not care to sell their labour-power. It is further taken for granted that general capitalist relations exist in society, i.e. that workers have to sell their labour-power to survive, that capitalists own the means of production and that the general rules for commodity exchange (the law of value) are granted: that commodities are exchanged according to their true values and in this case also that no values change during the circuit itself. All these requirements are reasonable, since they are all recreated through the capitalist production process, as was shown earlier.

During the production process, the circuit stands still, until the commodity products are finished. Then, they must be sold on the market. They must find customers who are willing and able to buy them, i.e. equipped with needs corresponding to their use-values as well as with money to buy them for. Again, this individual circuit turns out to be dependent on external conditions that must be reproduced by capitalism as a totality.

The whole money-capital circuit is a general expression of *industrial capital* as a total movement, where Marx with the term 'industrial' denotes capitalist production in general. The movement passes through the sphere of circulation (the transformations between money capital and commodity capital, $M \rightarrow C$

and $C' \rightarrow M'$) and the sphere of production (P) but, seen from the perspective of money, the whole circuit may be abbreviated to $M \rightarrow \dots \rightarrow M'$. In the end result (M') – which like the beginning (M) is again money, only more of it: a purely quantitative change – the whole intermediate process becomes invisible. In this way, the money-capital circuit expresses the governing aim of capitalist production: the *self-valorisation of value*, money making (more) money, mere *quantitative growth*. The production of real societal wealth in terms of use-values and inter-subjective social relations is in this circuit formula reduced to just a means of valorisation. Capital fulfils its historical mission – to propel forward society's productive forces – in a distorted and indirect way, behind the backs of individuals. In the money-capital circuit formula, the production that creates all values and use-values appears as just an intermediate tool.

The circuit of productive capital

The first transformation of money-capital converts capital to its productive form, the form that capital takes on in the production process (P): productive capital uniting labour-power (v) and means of production (c). If one instead now starts the process with this form of productive capital, the following formula results:

$$P \dots C' \rightarrow M' \bullet M \rightarrow C \dots P$$

For the moment, only the qualitative aspects of the circuit are important, not the quantitative value growth. This is why the formula simply translates (\bullet) M' into M when two circuits are fused into one (or the end of one circuit is added onto the beginning of the next). This initial analysis just aims to highlight those abstract aspects that are valid both for simple and expanded reproduction (the latter = accumulation). If one wishes to be more detailed, C' contains an amount of value that corresponds to the surplus-value created in production ($c + v + s$). M' therefore also combines M with a sum of money corresponding to that same surplus-value ($M' = M + m$). In simple reproduction, the capitalist exchanges this extra money (m) for consumer goods intended for his own well-being, so that in reality just the same money sum (M) remains to be invested in the next transformation of capital into new productive commodities. In accumulation, however, a part of this surplus money sum is also transformed into new productive capital, so that the process expands in the next circuit. This will be further discussed later in this chapter.

The circuit of productive capital expresses another key aspect of capitalism: *production for its own sake*. The production process here appears as the beginning and the end and this formula also contains both germs of insight and of confusion.

If M' is bigger than M, the surplus must find corresponding commodities on the market: either (by simple reproduction) consumer goods for the capitalist, or (by expanded reproduction = accumulation) a suitable combination of labour-power and means of production. A basic condition is thus that such commodities are for sale! There may for instance be required a certain minimal

amount of surplus-value in M' so as to make possible an extension of reproduction, for instance to hire one extra worker for the next period of production, plus one extra machine, plus enough raw materials for him to work with. If the growth of money in one period does not suffice for all that, the surplus-value produced needs to be stored in money form until the surplus-values of yet another number of circuits have been gathered. This requires that money can be temporarily stored as a reserve fund. The money capital that arises in this way and survives over more than one circuit can meanwhile be lent out or invested elsewhere and thus be made productive as a part of the productive circuit of another capital, until it is again needed for an expansion of the first capital's circuit on a larger scale. This gives an opportunity for banks and loans, which will be analysed later. Such monetary reserve funds may also be needed to even out temporary shortages on the market and other disturbances that would otherwise halt the circulation process.

The circuit of commodity capital

One may finally start and end with commodity capital:

$$C' \rightarrow M' \bullet M \rightarrow C \dots P \dots C'$$

This version of the circuit formula best expresses what is problematic in the reproduction of capital: that *the processes of circulation and production must recreate the appropriate kinds of commodities (C')* in order for the process to be able to start again from the beginning, preferably even in an expanded scale. To begin with, the right kind of commodities must be found in appropriate amounts and at a reasonable price and, in the end, the whole resulting commodity product must be sold and consumed. At the same time, as this formula starts with a simple commodity circulation where equivalents are exchanged according to the law of value: $C \rightarrow M \rightarrow C \dots$, it depicts *the commodity as a product of capital itself*, i.e. that capital is a condition for the simple and general commodity circulation.

Capital thus is forced to pass through commodity form in order to function as self-valorising capital. Money cannot just lie still and grow, and production likewise cannot just run continuously. The commodities produced must prove that they correspond to socially determined needs, and the needs of production must be met by the commodities it produces, seen from the perspective of the whole society. The circuit of commodity capital will therefore later in this chapter turn up again, in analysing how capitalism is actually capable of reproducing itself – in that context this formula suits best, since it most clearly illustrates the problems of reproduction.

The interlacing of circuits

Capital continuously moves through all these three stages: money capital, productive capital and commodity capital. They follow each other, in that capital is

sometimes located in circulation, as money or as commodities, and sometimes in production, as a combination of labour-power and means of production engaged in joint activity.

But these three forms are not only consecutive stages of the same process. In capitalist society, they are also always parallel, existing side by side. What for one capitalist is an acquisition of means of production can for another be the sale of his commodity product. When the textile industry sells its linen product, a cloth factory buys its raw materials. And while some capitalists wait for their workers to create value and surplus-value in the production process, other portions of the total societal capital are buying and selling commodities on the market. The circuits of different capitals are therefore *mutually interlaced*, in a continuous sequence and in a constant co-existence of different forms of capital.

This indicates that the total capital of a society is actually always subdivided into different individual capitals. Their mutual intertwining through exchanges of money and commodities in the reproduction process will soon be scrutinised, but this still moves on the level of abstraction called 'capital in general', as the competition between these different individual capitals will remain outside the analysis for yet awhile. In reality, each individual capital is present simultaneously in all three forms.⁵ It divides itself into different segments and its different elements move around continuously but out of pace through the circuit formulas above. One single capitalist would never let his production process halt and his workers rest while he sells his products, and some parts of his capital will be in money form at the same time that other parts are in commodity form or in the form of productive capital, etc. 'As a whole, then, the capital is simultaneously present, and spatially coexistent, in its various phases. But each part is constantly passing from one phase or functional form into another, and thus functions in all of them in turn'.⁶

It should now also be clear that the different circuits on the one hand presuppose a series of basic conditions (for instance the access to certain commodities) and on the other hand (re)create these same conditions (produce commodities, etc.).

If we take all three forms together, then all the premises of the process appear as its result, as premises produced by the process itself. Each moment appears as a point of departure, of transit, and of return. The total process presents itself as the unity of the process of production and the process of circulation; the production process is the mediator of the circulation process, and vice versa.

Common to all three circuits is the valorization of value as the determining purpose, the driving motive.⁷

Marx describes capital as imminently mobile and transformative:

Capital, as self-valorizing value, does not just comprise class relations, a definite social character that depends on the existence of labour as wage-labour. It is a movement, a circulatory process through different stages,

which itself in turn includes three different forms of the circulatory process. Hence it can only be grasped as a movement, and not as a static thing. Those who consider the autonomization [*Verselbstständigung*] of value as a mere abstraction forget that the movement of industrial capital is this abstraction in action.⁸

In this context, Marx also briefly touches upon the globalising effect of circulation, arguing that world trade pulls in all kinds of products and make them function as commodities in the market, irrespective of under which system they have been produced. Thus, the products of slave economies or other pre-capitalist modes of production sooner or later become integrated elements in the circuit of industrial capital and its circulation of surplus-value. ‘Thus the circulation process of industrial capital is characterized by the many-sided character of its origins, and the existence of the market as a world market’, on which money functions as ‘world money’. Capitalism has a tendency ‘to transform all possible production into commodity production’ by ‘drawing this production into its circulation process’, spreading ‘the transformation of all immediate producers into wage-labourers’.⁹

Marx underlines the role of circulation in the self-reproduction of capitalism, but also that it remains logically secondary to production:

In point of fact, capitalist production is commodity production as the general form of production, but it is only so, and becomes ever more so in its development, because labour itself here appears as a commodity, because the worker sells labour, i.e. the function of his labour-power, and moreover, as we have assumed, at a value determined by the cost of its reproduction. The producer becomes an industrial capitalist to the same extent that labour becomes wage-labour [...]. In the relation between capitalist and wage-labourer, the money-relation, the relation of buyer and seller, becomes a relation inherent in production itself. But this relation rests fundamentally on the social character of production, not on the mode of commerce; the latter rather derives from the former.¹⁰

Circulation time

The short Chapter 5 in Volume II is devoted to circulation time.

As we have seen, the movements of capital through the production sphere and the two phases of the circulation sphere [$M \rightarrow C$ and $C' \rightarrow M'$] are accomplished successively in time. The duration of its stay in the production sphere forms its production time, that in the circulation sphere its circulation time. The total amount of time it takes to describe its circuit is therefore equal to the sum of its production time and its circulation time.¹¹

Production time is usually longer than labour time, since the former includes both the time when the means of production are active and those pauses that may sometimes be unavoidable, when the machines are resting even though the product is not yet finished. Such pauses can have several causes, including when labour-power is not active at all hours of the day – something that capital strives to escape by shift work, longer workdays, minimised breaks for resting and eating, etc. Some processes of production also demand periods of waiting for natural processes to have their effect, while very little new labour is added, for instance when wine or beer is fermenting. Capital also strives to minimise such waiting times by faster methods of production, shortened storage time for raw materials, etc.

Production time is thus longer than labour time because productive capital is either latent in the production sphere without functioning in the production process itself or functioning in the productive process without taking part in the labour-process.¹² If no new labour takes place, no new value is added either. This implies that the productivity of capital – the rate of self-valorisation of value – increases the more the labour time fills out production time, which is what capital aims for (see Figure 9.1).

During labour time, new living labour is added, creating value. During functioning time, the means of production are in some way active, even if sometimes no value-creating labour is added. The production time also includes all those pauses and breaks where the capital remains bound to its productive form.

No new value is created in circulation time. Still, circulation is as necessary as production in commodity-producing societies. For the reproduction of capital, those social agents that perform the circulation process are therefore as crucial as the workers engaged in production. But, as only production creates value, the values created there must be the source also of the wages of those circulation agents. If a capitalist employs a wage-labourer to perform the circulation of his capital, in acts of purchase and sale, this wage-labourer will like the workers in production for instance work 8 hours a day and get paid for his labour-power, corresponding to, let's say, 4 hours a day. But this employee does not produce any value at all for the capitalist, no matter how necessary he may be. He performs a surplus labour, but produces no surplus-value. His wage ultimately derives from

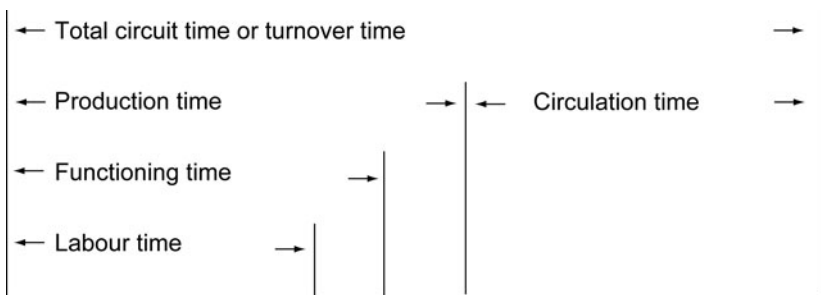


Figure 9.1 Divisions of turnover time

the values created by workers in production. This is true for all the capitalist's circulation costs. As capital strives for maximal valorisation, it has all to gain from minimising both the time and costs of circulation, in order to have as much surplus-value as possible to accumulate and transform into new productive capital as fast as possible.

New values arise from the sphere of circulation. The necessary transactions ($M \rightarrow C$ and $C' \rightarrow M'$) certainly cost time and labour, but they do not add an ounce (or millisecond) of value to the product. All those tools and raw materials used for these transactions (paper, pens, calculators, etc.) are pure costs for capital – they do not constitute any means of production in any valorisation process.

These circumstances are not changed if the function of circulation is taken over and carried out by a specialised capitalist, a merchant. The separating out of commercial capital as a specific capital function is necessary in capitalism. Much is gained in terms of efficiency when particular capitals specialise in these functions. Through large-scale activity, this makes it possible for the total capital in society to cut its costs for circulation. The division of labour thus gives to commercial capital a function that is necessary to capital at large and that obviously is profitable for the merchant himself. Nevertheless, this function does not create any value: it remains unproductive. How merchant profits arise will be shown later. Suffice here to conclude that all efforts in circulation remain a cost for the societal total capital, and that the circulation time reduces the total time in which capital could have been productive or self-valorising.

Wage-labourers in the commercial sphere, assisting with the circulation process, are unproductive from the viewpoint of the total societal capital, since they do not create any value. Yet, they perform a necessary function in capitalism, as the reproduction process of capital includes such unproductive functions. Their labour 'creates neither value nor products', but still is necessary for capital, and these commercial wage-labourers are also exploited as well, since their wages correspond to a value worth much less than their labour time.¹³ 'The dimensions assumed by the conversion of commodities in the hands of capitalists can naturally not transform this labour, which does not create value, but only mediates a change in the form of value, into value-creating labour'.¹⁴ If through the division of labour this unproductive function of circulation is fulfilled by a group of special businesses, this cannot make it more productive. 'Those circulation costs that proceed from the mere change in form of value, from circulation in its ideal sense, do not enter into the value of commodities'.¹⁵

The general law is that *all circulation costs that arise simply from a change in form of the commodity cannot add any value to it*. They are simply costs involved in realizing the value or transferring it from one form into another. The capital expended in these costs (including the labour it commands) belongs to the *faux frais* [extras, incidental expenses] of capitalist production. The replacement of these costs must come from the surplus product and, from the standpoint of the capitalist class as a whole, it forms a deduction of

surplus-value or surplus product, in just the same way as the time that a worker needs to buy his means of subsistence is lost time for him.¹⁶

The same kind of (concrete) labour can be either productive or unproductive, depending on the way it is used in the valorisation process. Marx expands on such issues in a section of Part 1 in his *Theories of Surplus-Value*: 'Productivity of Capital. Productive and Unproductive Labour'. There, he for instance makes clear that independent handicraftsmen or peasants who employ no workers are neither productive nor unproductive, although they produce commodities, since their production does not fall under the capitalist mode of production.¹⁷ Such issues will be further discussed in relation to trade and commercial capital in Volume III, where competition between different individual capitals can be considered. There are diffuse borders between productive and unproductive labour, but most jobs (and costs) related to book holding, marketing, insurances and the like usually belong to the latter. Some costs for storage and packaging also belong to circulation costs, as long as they are not necessary for the production of the commodity itself, in order to produce or preserve its use-value. If a capitalist stores goods to wait for better prices on the market or pays extra to packet them nicely in order to attract customers, these are all unproductive circulation costs.

In contrast, most *transportation* costs are productive. Transport industry is an independent branch of production, which is different from other branches of production as well as from commercial capital, since it appears as 'the continuation of a production process *within* the circulation process and *for* the circulation process'.¹⁸ It is true that transport does not increase the quantity nor the quality of products.

But the use-value of things is realized only in their consumption, and their consumption may make a change of location necessary, and thus also the additional production process of the transport industry. The productive capital invested in this industry thus adds value to the products transported, partly through the value carried over from the means of transport, partly through the value added by the work of transport.¹⁹

Transportation labour thus adds use-value to the transported commodities for their consumers, since the production process cannot be said to be finished until the commodities are located at the market place or shop where they are to be sold. Transport labour therefore does create value and surplus-value in the ordinary way of productive labour.

The capitalist mode of production reduces the transport costs for the individual commodity by developing the means of transport and communication, as well as by concentrating transport – i.e. by increasing its scale. It increases the part of social labour, both living and objectified, that is spent on commodity transport, firstly by transforming the great majority of all products into commodities, and then by replacing local by distant markets.²⁰

The productivity of transport but not of circulation makes clear that the latter is not a matter of spatial dissemination, but rather concerns purely economic transactions.

The turnover of capital

It is time to have a look at the circuit as a whole: a periodical course of events that is regularly repeated. A full such circuit is called a *turnover* of capital. The *turnover time* is then the sum of production time and circulation time. The turnover time varies between branches of production and changes if the production time or circulation time alters in a branch. It is practical to regard the year as a basic time unit here:

As the working day forms the natural measuring unit for the function of labour-power, so the year forms the natural measuring unit for the turnovers of capital in process. The natural basis for this measurement is that the most important food crops in the temperate zone, the native ground of capitalist production, are annual products.²¹

Marx therefore also discusses the *number of turnovers per year* as an important measure. As an example, assume that a shipbuilding firm builds one ship in two months, after which it takes on average one month to get it sold and to purchase the raw materials, means of production and labour-power. The production time is thus two months, the circulation time one month, the turnover time three months and the number of turnovers four per year. The firm builds four ships each year, and the annually produced value (and surplus-value) in this firm is four times the value (and surplus-value) of one single boat.

It was previously shown how the direct reproduction process was simultaneously a labour process and a valorisation process. In the production process, i.e. as productive capital, the capital must divide itself on tools of labour, objects of labour and living labour-power. Now, when this direct production process is integrated in its larger context, as a moment in the whole circuit movement, it is time to study how that internal division within productive capital affects the movement as a whole. The differentiation depends on the material nature of the labour process, and these concrete, use-value-related aspects now have repercussions for the valorisation of capital: its qualitative form as well as its quantitative size.

Means of production and labour-power were combined in the production process and, in the perspective of valorisation, they were classified as *constant and variable capital*. But how does this look from the viewpoint of the whole circuit?

The constant capital was that portion of the capital that only had its value transferred onto the commodity products. It consisted of raw materials, machines and buildings. The variable capital corresponded to labour-power and its living labour: the value of that labour-power was totally exhausted in the

production process, but the living labour simultaneously created new value, which replaced the value of labour-power itself (the variable capital) but also gave rise to an excess – surplus-value. In this way, variable capital grew, while the constant capital was just transferred to the products in the same pace as its elements were consumed in the production process.

Now, parts of the means of production are not totally consumed and exhausted during one whole circuit. A part of the constant capital is not fully transferred to the value product during one single turnover of capital. This applies to the machines and buildings that function as means of labour. Their value is only ‘drop by drop’ transferred onto the commodities produced. These means of labour are never integrated materially in their use-value form into the products – not even in a modified form (as is the case with raw materials). They only circulate in their value form as a value element in the commodities, corresponding to the wear and tear they suffer in the labour process. This part of constant capital is called *fixed capital*. The other part of constant capital, consisting of raw materials, fuel and the like, is in its totality consumed as the commodities are produced and therefore all its value is transferred onto these products. This part is therefore called *circulating* or *fluid capital*.

This crucial differentiation of constant capital into two main constituents, fixed and fluid capital, is thus based on the manner in which these constituents circulate: drop-by-drop across several turnovers, or directly during one single turnover. This difference in turn derives from the different ways in which these constituents function in the labour process. This makes it clear why only productive capital and neither money capital nor commodity capital can be similarly subdivided.

Metaphors of fixity and fluency are common in economic terminology. The mobility of money and financial transactions and the apparent solidity of accumulated wealth invite such metaphors of liquidity, solvency and the like. However, one must be careful to discern at which level each such term is valid. Fixed vs fluid capital are two portions of constant capital, and should not be confused with, for instance, constant and variable capital.

The different elements of productive capital thus have distinct material use-value characteristics in the labour process, which affects how the corresponding value component of the capital circulates, by determining how value is transferred onto the product.

The peculiar circulation of fixed capital gives rise to a peculiar turnover. The portion of value that it loses in its natural form by wear and tear circulates as a value portion of the product. Through its circulation, the product is transformed from a commodity into money, and so is the portion of the value of the means of labour that is circulated by the product; its value trickles from the circulation process as money in the same proportion that this means of labour ceases to be a bearer of value in the production process. Its value thus acquires a dual existence. A part of it remains tied to its use form or natural form, which pertains to the production process, while another part separates off from this form as money.²²

For the individual capitalist, the difference between fixed and fluid capital may often appear as more important than that between constant and variable capital, in spite of the fact that the latter is the only one that matters for the creation of value on a deeper and more abstract level. Marx mentions that wage costs (variable capital) can also be seen as part of fluid capital, since both labour-power and raw materials are bought and fully consumed in each single turnover, in contrast to the fixed assets of a company.

No matter how differently labour-power acts with respect to value-formation from the components of constant capital that do not form fixed capital, this manner of turnover of its value is something that it has in common with the latter, in contrast to the fixed capital. Because of this common characteristic in their turnover, these components of productive capital – the portions of value spent on labour-power and on means of production that do not form fixed capital – confront fixed capital as *circulating* or *fluid* capital.²³

Marx still does not count variable capital as fluid capital, but continues to distinguish between them.

Thus it is not the worker's means of subsistence that acquire the characteristic of fluid capital in contrast to fixed capital. And it is also not his labour-power, but rather the portion of the value of the productive capital that is spent on it, that has this characteristic in the turnover in common with some components of the constant part of the capital, and in contrast with other parts.²⁴

In fact, the identification of labour-power (variable capital) with raw materials (the fluid capital part of constant capital) is a kind of illusion – an example of that kind of reifying fetish character that conceals capitalist exploitation:

The capitalist production process is thus successfully transformed into a complete mystery, and the origin of the surplus-value present in the product completely withdrawn from view.

What is also brought to fulfilment here is the fetishism peculiar to bourgeois economics, which transforms the social, economic character that things are stamped with in the process of social production into a natural character arising from the material nature of these things.²⁵

A machine is not replaced until the fluid elements of capital have gone through several turnovers. Meanwhile, the capitalist has to save money capital to be able to pay the full value of a new machine when it is finally ready for replacement. The fixed capital thus has a considerably longer turnover time than the fluid capital.

The particular manner in which fixed capital circulates makes the continuity of production essential to capital. The demand for the products as well as the

supply of useful raw materials and labour-power must be sustained over a longer period than just one turnover in order for the full value of the means of labour to be transferred to products. The stability of fixed capital, its extended length of life, enforces continuity and an equalised standard level of the productive forces. The machinery tenaciously lives on as a kind of measure of the level of technology. This serves to sustain an element of rigidity and constancy in production, as capitals tend to counteract new methods of production if they prefer to continue using reasonably new machinery made for the old methods.

This implies an imminent danger from a drastic depreciation of the value of capital, i.e. from a crisis. An example is when an almost new industrial plant is shut down long before its machines have been worn down, just because market-related problems made other forms of production more profitable. Such risks tend to make capitals strive for having as little fixed capital with long turnover time as possible. They also make capitals use shift work to make use of the elements of fixed capital as intensely as possible, wearing down machines so as to transfer their value onto commodity products as fast as possible

The shorter the turnover period of the capital – and hence the shorter the intervals at which its reproduction period is repeated in the course of the year – the sooner is the variable part of the capital originally advanced by the capitalist in the money form transformed into the money form of the value product created by the worker as a replacement for this variable capital (this product also including surplus-value); the shorter, too, is the time for which the capitalist has to advance money from his own funds, and the smaller the total capital that he advances in relation to the given scale of production; the relatively greater, therefore, is the mass of surplus-value that the capitalist extracts in the course of the year, at a given rate of surplus-value, since he can buy the workers all the more often, and set their labour into motion, with the money form of their own value product.²⁶

Machines are worn out after a certain time of use but, even before that, they may become antiquated and in need of being replaced with more modern ones. This is called *moral depreciation*. In the most prominent industrial branches, an average standard develops for how long the means of labour are supposed to last. This may be compared to the rules of depreciation in taxation, etc., where firms in their annual balancing of the accounts are each year allowed to deduct a certain percentage of the value of their machinery. The result is a cycle of interconnected turnovers, running over several years, during which the capital is bound to its fixed constituents. This develops with a certain degree of synchronisation within large industry, and these cycles function as one of the foundations for capitalist crises to appear with rather regular intervals: previously some ten years, nowadays slightly shorter. In a crisis, many capitals are eliminated, and those that survive acquire new equipment and more modern production methods, thus initiating a new period of expansion. The causes of crisis must be sought elsewhere (as will be discussed later), but the *length* of the crisis cycle is

partly determined by the fact that crisis mechanisms can most easily break through precisely when the old means of production are worn out.

To the same extent as the value and durability of the fixed capital applied develops with the development of the capitalist mode of production, so also does the life of industry and industrial capital in each particular investment develop, extending to several years, say an average of ten years. If the development of fixed capital extends this life, on the one hand, it is cut short on the other by the constant revolutionizing of the means of production, which also increases steadily with the development of the capitalist mode of production. This also leads to changes in the means of production; they constantly have to be replaced, because of their moral depreciation, long before they are physically exhausted. [...] The result is that the cycle of related turnovers, extending over a number of years, within which the capital is confined by its fixed component, is one of the material foundations for the periodic cycle in which business passes through successive periods of stagnation, moderate activity, over-excitement and crisis. The periods for which capital is invested certainly differ greatly, and do not coincide in time. But a crisis is always the starting-point of a large volume of new investment. It is also, therefore, if we consider the society as a whole, more or less a new material basis for the next turnover cycle.²⁷

Turnover time and annual rate of surplus-value

In Volume I, it was shown only how surplus-value was created during one single period of production. This process can now be scrutinised with regard to the time factor, for instance by studying how much surplus-value different capitals can appropriate in a whole year, depending on the length of the turnover time, the relation between production time and circulation time and the rate of fixed and fluid capital. Such calculations are needed to investigate the accounts of a particular firm, even though such accounts for many other reasons will not directly disclose which values are actually created in a firm.

Besides the previous *rate of surplus-value* (= the relation between surplus-value and variable capital during each turnover or period of production), one must now also consider the *annual rate of surplus-value*. This equals the annually produced surplus-value divided by the annually invested variable capital. With n turnovers per year, s' as the ('real') rate of surplus-value and S' as the annual rate of surplus-value, this relation can be expressed as $S' = s' \times n = (s \times n)/v$. These two rates are identical only if the annual number of turnovers is = 1, that is, if the turnover time is precisely one year. If, for instance, the capital has two turnovers per year, the capitalist can after six months restart the same production process with the money he has earned by selling the products of the first half-year period.

Assume that the annual number of turnovers is two and the rate of surplus-value (s/v) is 100 per cent. (The constant capital can here be disregarded – both its

fixed and its fluid portions.) If the capitalist at the start of the year spends £1,000 (v) on labour-power, he can after 6 months sell products for £2,000 ($v + s$). In the case of simple reproduction, he then consumes £1,000 (s) for himself and reinvests £1,000 (v) once again in new labour-power. After yet another half year, he has appropriated £2,000 (s) besides having regained the £1,000 (v) invested at the beginning. The annual rate of surplus-value s/v is in this example $2000/1000 = 200\%$.

It may seem mysterious that circulation factors affect valorisation, since it creates the false appearance that ‘the rate of surplus-value did not depend only on the amount of variable capital and the rate of exploitation of the labour-power set in motion by it, but also on inexplicable influences deriving from the circulation process’.²⁸ However, this capitalist has during one year let labour-power worth in total £2,000 (£1,000 in the first half year and £1,000 in the second half year) create value, so all remains faithful to the law of value. The only difference is that the capitalist hasn’t needed to spend all the £2,000 (v) in advance. ‘It is only the capital actually operating in the labour process which creates surplus-value and to which all the laws given for surplus-value apply, including the law that, with a given rate of surplus-value, the mass of surplus-value is given by the relative magnitude of the variable capital’.²⁹

This makes it clear why capitalists strive to shorten the turnover time as much as possible, besides also wanting to diminish the circulation time in order to maximise production time and also striving to let the actual labour time fill up this production time as much as possible.

It can also be seen that the turnover times (both for the fluid and for the fixed portions of the capital) affects how much money capital is needed for the process to run smoothly. A steady accumulation of money is required, besides the real accumulation of capital (the transformation of surplus-value to productive capital). Money must be put aside and saved until it has been accumulated to such a large sum that it can again be transformed into productive capital (labour-power and means of production). ‘In order to accumulate capital, he must first withdraw from circulation a part of the surplus-value that he obtained from it, and let it grow in the form of a hoard until it has assumed the requisite dimensions for an extension of his old business or the opening of a new line’.³⁰ This accumulation of money is the basis for the credit institutions, analysed in Volume III.

This chapter has described a series of requirements from the circulation process. These demands all threaten to become obstacles, disturbances and interruptions that trigger crises in the system of reproduction of capital.

Notes

- 1 Marx (1868/1988) letter to Engels, 30 April 1868.
- 2 *Capital II*: 428–429 (Chapter 18).
- 3 *Capital II*: 109 (Chapter 1).
- 4 *Capital II*: 109 (Chapter 1).

- 5 *Capital II*: 181 (Chapter 4).
- 6 *Capital II*: 184 (Chapter 4).
- 7 *Capital II*: 180 (Chapter 4).
- 8 *Capital II*: 185 (Chapter 4).
- 9 *Capital II*: 190 (Chapter 4).
- 10 *Capital II*: 196 (Chapter 4).
- 11 *Capital II*: 200 (Chapter 5).
- 12 *Capital II*: 201 (Chapter 5).
- 13 *Capital II*: 209 (Chapter 6).
- 14 *Capital II*: 208 (Chapter 6).
- 15 *Capital II*: 214 (Chapter 6).
- 16 *Capital II*: 225–226 (Chapter 6).
- 17 *Theories of Surplus-value I*: 1328.
- 18 *Capital II*: 229 (Chapter 6).
- 19 *Capital II*: 226–227 (Chapter 6).
- 20 *Capital II*: 228–229 (Chapter 6).
- 21 *Capital II*: 236 (Chapter 7).
- 22 *Capital II*: 242–243 (Chapter 8).
- 23 *Capital II*: 244–245 (Chapter 8).
- 24 *Capital II*: 245 (Chapter 8).
- 25 *Capital II*: 303 (Chapter 11).
- 26 *Capital II*: 388–389 (Chapter 16).
- 27 *Capital II*: 264 (Chapter 9).
- 28 *Capital II*: 372–373 (Chapter 16).
- 29 *Capital II*: 373 (Chapter 16).
- 30 *Capital II*: 199 (Chapter 4).

10 Reproduction of the total capital

This chapter summarises Part 3 (Chapters 18–21) in Volume II of *Capital*, which presents how the various constituents of capital are interwoven as elements of the societal or total capital of a society, of which the individual capitals form fractional parts. It has often been repeated that each individual capital circuit is dependent on all the other capital circuits: those that run side by side as well as those that came before or after. The preconditions of each new circuit must be secured by those that precede it, and each circuit must reproduce the requirements for a new period: the main social classes must be able to reproduce themselves, the right proportion of means of production must also be reproduced and so must ‘the capitalist character of the entire production process’.¹

Some examples will show that, in spite of all matching difficulties, it is at least theoretically possible that this interlacing may function in capitalism. First, the simple reproduction will be presented, where all surplus-value that arises is unproductively consumed by the capitalists, who use this surplus to buy consumer goods. In a second and considerably more complex round, it will be shown that this may also work for expanded reproduction (accumulation).

Simple reproduction

In the last chapter, it was mentioned that the circuit of commodity capital was best suited for investigating the problems of reproduction, as its starting and end points most clearly show that certain conditions need to be met, in order to let the process be repeated more than once. It should therefore now be scrutinised how the basic constituents of commodity capital are reproduced, both in terms of material use-values and of economic values.

Here, the material form of commodities again gains importance. If the whole society only constructed means of labour, the immediate production process could certainly function for one circuit, as the produced means of labour would contain the appropriate amount of value and surplus-value. But at the start of a second period (or circuit), there would exist no raw materials and no means of subsistence for reproducing the classes. The product of each period must therefore be distributed in a balanced manner between different kinds of commodities, use-value-wise as well as value-wise.

How is the *capital* consumed in production replaced in its value out of the annual product, and how is the movement of this replacement intertwined with the consumption of surplus-value by the capitalists and of wages by the workers? What we are dealing with first of all is reproduction on a simple scale.²

The model of simple reproduction is static, in the sense that it presupposes that the process always recreates exactly the same initial conditions. It is a kind of hypothetical construction, as it has already been shown that, in reality, valorisation and accumulation are inevitable in capitalism. Still, the model of simple reproduction helps in clarifying by abstraction certain basic aspects of how different capitals are interlaced.

Simple reproduction on the same scale seems to be an abstraction, both in the sense that the absence of any accumulation or reproduction on an expanded scale is an assumption foreign to the capitalist basis, and in the sense that the conditions in which production takes place do not remain absolutely the same in different years (which is what is assumed here).³

The total product and production of society may be divided into two major departments:

Department I: Means of production = commodities meant for productive consumption in new processes of capitalist production.

Department II: Means of consumption = commodities used for the individual consumption of the capitalist and the working classes.

The consumption of the working class reproduces labour-power, which is in the next step again productively consumed in new processes of production. However, the consumption of capitalists permanently falls outside the valorising process, even though they of course have to live in order to fulfil their necessary but unproductive functions as the character masks of capital. In spite of this difference, the means of consumption are in neither case used in a *directly* productive way, in the capitalist sense of the word. The worker certainly produces the value of his labour-power when he eats, but no surplus-value is thereby produced, labour-power is not produced through a capitalist production process and such individual, reproductive consumption therefore falls outside the capitalist sphere of production. If the same food is instead fed to animals in a capitalist farm, they become raw materials that are productively consumed as means of agricultural production.

Within each department, capital consists of two parts: *variable* and *constant* capital. The value of variable capital corresponds to the wages for the labourers, and its material use-value consists of the labour-power in action – the living labour set in motion by this capital-value. Constant capital corresponds to the value of the means of production, which is in turn subdivided into *fixed* (machines, buildings, etc.) and *fluid* (raw materials and semi-finished products) capital.

The value of the total annual product in each department consists of $c + v + s$, where c is the constant capital consumed in the production process where its value is simply transferred to the product, v is the variable capital and s is the surplus-value. This is the same formula for a whole department as for an individual commodity.

Model of simple reproduction

The first model will disregard the fixed capital that is not completely used up during one year. It assumes that the rate of surplus-value is 100 per cent, that the value composition of all capitals (c/v) is 4/1, and the figures here stand for value units, for instance £s.

I. Production of *means of production*:

Capital: $4000c + 1000v = 5000$.

Commodity product: $4000c + 1000v + 1000s = 6000$ means of production.

II. Production of *means of consumption*:

Capital: $2000c + 500v = 2500$.

Commodity product: $2000c + 500v + 500s = 3000$ means of consumption.

Total value of annual product = 9000, in which the part of fixed capital that still functions in its material form is (according to the initial conditions mentioned above) not included.

Figure 10.1 illustrates how commodity products circulate between the departments.

- 1 $500v + 500s$ in department II, consisting of the workers' wages and the capitalists' surplus-value, is to be used for means of consumption. There are also means of consumption produced in the same department to a total value of 3,000, all owned by the capitalists. A figure of 1,000 of these is used to substitute for their costs for wages ($500v$) and their private consumption ($500s$). Wages and surplus-value in department II are thus exchanged for products of the same department II, so that $500v + 500s = 1000$ means of consumption drop out of the total product of department II.
2. $1000v + 1000s$ from department I is to be used for means of consumption, i.e. for products from department II, since the workers and capitalists in department I also have to consume. (a) Having sold their products, the capitalists in department I use money capital of 1,000 to buy new $1000v$, which becomes wages in the hands of the workers employed in department I. For these wages, they buy necessary means of consumption from department II, which in turn uses this sum of money to buy new means of production, corresponding in the next circuit to $1000c$, for which department II buys means of production from department I, replacing that whose value

has been transferred onto its commodity products. In this way, department I has regained its money capital of 1,000 that can be used to buy new labour-power, while department II has reproduced 1000c as means of production.

- (b) The capitalists in department I also have access to a surplus-value of 1000s. Since this is just simple reproduction, they use this money to buy means of consumption for themselves from department II, who can also use this sum to reinvest another 1000c in fixed capital. As a result of this double-exchange process, these wages (a) and surplus-values (b) from department I are thus exchanged for 2,000 of the commodity product of department II. This was exactly the product value that remains of the total value of the produced means of consumption (3,000), when the consumption within department II had been covered ($3000 - 1000 = 2000$). In return, department II receives from department I products in the shape of means of production, in which the value $1000v + 1000s$ is embodied.
3. After these transactions, what remains is 4000c in department I, consisting of means of production that is to be used within department I itself, as replacement for used-up constant capital. Capitalists within this department make mutual exchanges, in the same manner as $500v + 500s$ was in the first instance exchanged between workers and capitalists in department II.

The exchange described under point 2 determines the conditions of balance in the system, since points 1 and 3 only move within each department. If the second exchange is to function and break even, the sum of variable capital and surplus-value in department I ($1000v + 1000s$) must be of exactly the same value as the constant capital in department II (2000c), since it is these value sums that are to be exchanged across the borders between the departments. The means of production in department II (producing means of consumption) must be equivalently exchanged (according to the law of value) against means of consumption for workers and capitalists in department I (producing means of production). The mathematical formula for this balancing requirement may be expressed as $c_{II} = v_{I} + s_{I}$.

This balancing requirement implies that, by simple reproduction, the departments must have a relative size and internal composition so that department I needs exactly as much means of consumption as department II needs means of production. If for instance c_{II} were less than $v_{I} + s_{I}$, then there would at the start of the next circuit be fewer means of consumption for the workers and capitalists in department II than they can, want to and must buy in order to survive. There would simultaneously also be more means of production for firms producing means of consumption than they need. There would be a lack of means of consumption and too many means of production.

It is on this basis possible to investigate how money capital must function and how worn-out coins must be replaced by new coin production, the costs of which in the last instance derive from the surplus-value of all capitalists. The model of simple reproduction allows an analysis of these and lots of other details in the total societal circuit of capital. Suffice here to note that an exchange between the

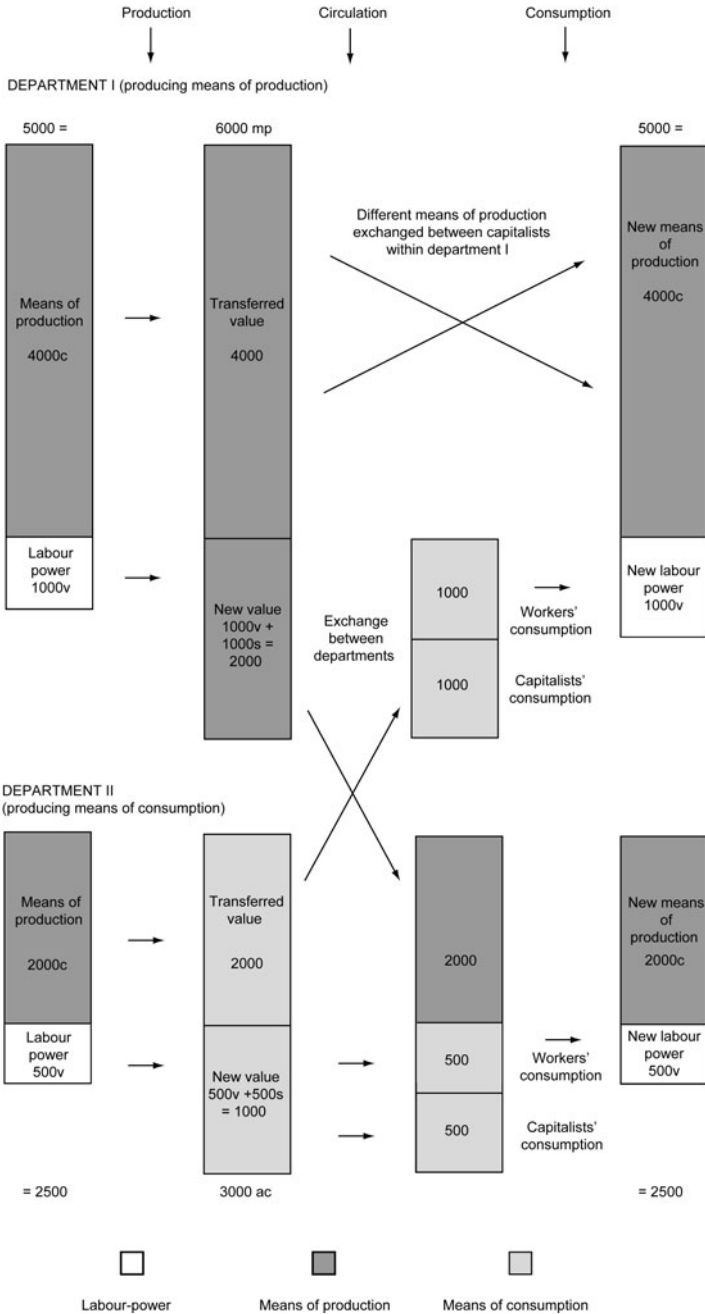


Figure 10.1 Simple reproduction

departments is possible, so that next period can repeat exactly the same process. Means of production and means of consumption have been produced and distributed according to the requirements in each department.

This simple model has been constructed to produce such a balance. In reality, this adjustment is made in practice, as various capitals over time are put out of business until the balancing requirement is met. However, it should also be remembered that the whole model of simple reproduction is a thought construction far from real events. Finally, the balance is always a dynamic equilibrium that never runs completely smoothly. What here appears as equilibrium can easily switch over to imbalance and crisis for the whole system. Should the proportions happen to change somewhere in the model, disturbances will arise, whereby some capitals will vanish until a new equilibrium has been reached. Capitalist society makes no joint planning of how to allocate resources. Imbalance between departments is no cause for capitalist crisis, but often a partial moment in it. It is also striking that events which in another kind of society could equally well be an advantage – for instance that superfluous resources were produced in some area – in capitalism turn out to cause crisis and catastrophe, just because it hampers valorisation.

Expanded reproduction (accumulation)

In reality, capitalists do not waste all surplus-value on personal, unproductive consumption. They transform part of the newly created surplus-value into capital: capital is accumulated. Each new circuit must therefore start on a larger scale than that before. How can smooth growth be guaranteed, so that the produced (surplus) exchange-values can really be productively used in the next period? How can an appropriate amount of new means of production and extra means of consumption for more labour-power be created, so that the total reproduction of capital can steadily expand?

Simple reproduction is like a circle, and it now must be drawn out into an expanding spiral. The previous, static model continues to offer a kind of momentary image of the new, dynamic and expansive model that explains the expanded reproduction of capital accumulation.

In order for this accumulation to be possible, a larger part of the total value product than before must be transformed into means of production. Instead of some means of consumption, the capitalists have to buy means of production for expanded reproduction. Also, a part of the values previously used for capitalists' consumption have instead to be transformed into means of consumption for the new workers. In order for the model to accommodate these new demands, some initial conditions need to be adjusted, so that it is assumed that the reproduction was previously expanded rather than simple.

Either department II must be diminished in relation to department I, so that relatively more means of production are produced. Or department II must have a lower organic composition than before (and compared with department I), so that the need for new means of production to retain the same level diminishes

compared with the means of production that department I produces. Here, the second solution will be chosen. This results in different organic compositions of capitals in the two departments. This is in practice not unreasonable, since the production of machines often itself tends to be more machine-dependent than for instance food production. But it is fully possible to construct a model where both departments have the same organic composition.

Model of expanded reproduction

This second model continues to build on certain simplifying assumptions. It is for instance taken for granted that both the structure of production (as codified by the organic composition of capital c/v) and the rate of surplus-value (s/v) remain constant during the whole accumulation process. It also still assumes that the rate of surplus-value is 100 per cent, but here the value composition of capitals in department I is 4/1 and in department II only 2/1.

I. Production of *means of production*:

Capital: $4000c + 1000v = 5000$.

Commodity product: $4000c + 1000v + 1000s = 6000$ means of production.

II. Production of *means of consumption*:

Capital: $1500c + 750v = 2250$.

Commodity product: $1500c + 750v + 750s = 3000$ means of consumption.

Total value of annual product = 9000 (as in the previous model), in which the part of fixed capital that still functions in its material form is again not included.

In order to see how commodity products circulate between the departments, one may now start with department I. Assume that half of the surplus-value produced in department I is to be accumulated. This means that $500s_I$ still goes to capitalists' consumption, but the other $500m_I$ are to be transformed into new constant and variable capital for next year. Since department I has the organic composition $c/v = 4000/1000 = 4$, 400 of these $500m_I$ must be transformed into constant capital and 100 to variable capital (since $400 + 100 = 500$ and $400/100 = 4$). The 400 are exchanged within department I, just like the $4000c_I$ before. What then remains is $100m_I$ which department I thus still owns in the shape of newly produced means of production, but needs to transform into new variable capital in the form of wages and therefore new means of consumption for new labour-power.

Department II buys from department I $1500c_{II}$, i.e. means of production worth 1,500 money units, in order to renew its used-up constant capital. In exchange for these means of production, department II can offer means of consumption at the same value, corresponding to $1000v_I + 500m_I$ in department I, thus covering the consumption needs of the workers and capitalists in department I.

Department II now joins the accumulation trend and buys the last 100 means of production from department I, corresponding to the remaining part of mI that was mentioned above. The money that department I gets for this is used for paying more labour-power needed in the next period to put the extra 400 means of production into action. When these new workers in department I use their wage to buy means of consumption worth 100 from department II, the equal exchange between the departments has been completed.

Department II now has $1600c_{II}$ ($1500 + 100$). In order to put the extra 100 means of production in motion (with the given organic composition in department II: $c/v = 1500/750 = 2$), it needs to pay another $50v_{II}$ to purchase new labour-power. The new investments of department II will then get its correct organic composition, since $100/50 = 2$. Thereby, the variable capital in this department grows from 750 to 800. The whole variable + constant capital of department II grows by 150, which must be deducted from the surplus-value that capitalists in this department may consume. Of the $750s_{II}$ thus remains $600s_{II}$ as a consumption fund for these capitalists.

Department II must pay for this growth of 150 with means of consumption, since the commodity product in this sector consists only of such use-values. Department II must purchase extra $100c_{II} + 50v_{II}$, and this is paid for with the means of consumption that are used by the workers as means of subsistence. $100v_I$ is consumed by the workers in department I and $50v_{II}$ by those in department II – in both cases by those extra workers who for the next period get to work with the new means of production. When the next circuit of expanded reproduction actually starts, the $100v_I$ that was previously $100k_{II}$ will return to department II when the workers in department I buy their means of subsistence. In return, the corresponding $100s_{II}$ in means of consumption will move to the workers of department I, while $50s_{II}$ in means of consumption go to department II's own workers.

Figure 10.2 illustrates this more complex model.

The transferences of surplus-value within and between the two departments can be expressed in a series of schemes. Let c' and v' be those portions of surplus-value reserved for accumulation and f be the remaining consumption-fund for the capitalist's personal expenses.

At the start of the first circuit, the capitalists advanced a total capital sum of 7,250, invested in the following proportions:

- I. $4000c + 1000v = 5000$.
- II. $1500c + 750v = 2250$.

At the end of the year, when new values (including surplus-values) had been produced, this is how the total values of the commodity products were divided:

- I. $4000c + 1000v + 400c' + 100v' + 500f = 6000$.
- II. $1500c + 750v + 100k' + 50v' + 600f = 3000$.

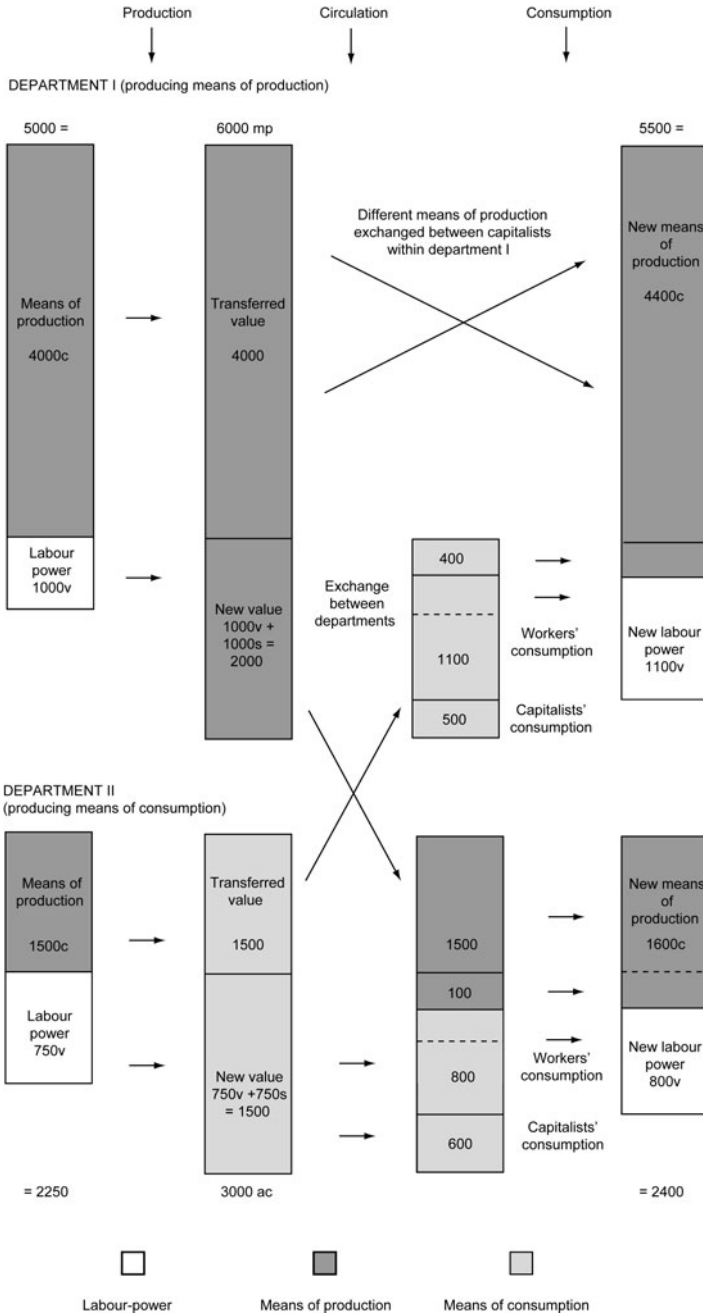


Figure 10.2 Expanded reproduction (accumulation)

As before, the total sum was then 9000 but, at the start of the next year, not 7150 but 7900 was reinvested in new production:

- I. $4400c + 1100v = 5500$.
- II. $1600c + 800v = 2400$.

The $1100vI$ and the $800vII$ are still in money form, ready for hiring labour-power. The total capital has thus grown from 7,250 to 7,900: a growth of 650s ($500sI + 150sII$), which the capitalists of both departments have transformed from personal incomes to new capital. If accumulation continues on this expanded basis, at the end of the second year the calculation will look thus:

- I. $4400c + 1100v + 1100s = 6600$.
- II. $1600c + 800v + 800s = 3200$.

The total capital value has then grown to 9800. One can then continue to count and follow the accumulation process in both departments, year by year.

In the model of expanded reproduction, the equilibrium condition is no longer $cII = vI + sI$, but:

$$cII + c'II = vI + v'I + fl.$$

It is namely all these elements that are exchanged *between* the departments. The formula means that *in order for a balanced expanded reproduction to be possible, the demand in department II for means of production at the start of a new period must equal the need of means of consumption in department I*. In the example above, department I buys means of consumption worth $1000vI + 100v'I + 500fl = 1600$ while department II buys means of production worth $1500cII + 100c'II = 1600$. Correct!

Finally, these calculations can be summed up in a *reproduction scheme* in the form of a table that presents accumulation over a number of annual periods. Each period is divided into two phases: (1) the distribution of the values of the commodity products between the constituents of capital in both departments at the end of each *phase of production*; and (2) the capital values remaining at the end of the *phase of accumulation*, when the consumption-funds of the capitalists had been pulled out of the system. Again, the rate of surplus-value is 100 per cent and the organic composition is 4 in department I and 2 in department II (see Table 10.1).

From year 1 the growth rate is constant: in department I each year half the surplus-value is accumulated; in department II 30 per cent of the surplus-value. In both departments, at the end of each period 10 per cent of the initially forwarded capital is accumulated (in department 1 year 0: $(400c'I + 100v'I)/(4000cI + 1000vI) = 1/10$).

These reproduction schemes have indicated how both a static and a dynamic model of the societal reproduction of capital are feasible. Both simple and

Table 10.1 Reproduction scheme of accumulation over several periods

Period	Industry for means of production			Industry for means of consumption			Total capital
	<i>cI</i>	<i>vI</i>	<i>mI</i>	<i>cII</i>	<i>vII</i>	<i>mII</i>	
0a	4000	1000	1000	1500	750	750	7250
0b	4000	1000	400 <i>c</i> 'I + 100 <i>v</i> 'I	1500	750	100 <i>c</i> 'II + 50 <i>v</i> 'II	7900
1a	4400	1100	1100	1600	800	800	9800
1b	4400	1100	440 <i>c</i> 'I + 110 <i>v</i> 'I	1600	800	160 <i>c</i> 'II + 80 <i>v</i> 'II	8690
2a	4840	1210	1210	1760	880	880	10780
2b	4840	1210	484 <i>c</i> 'I + 121 <i>v</i> 'I	1760	880	176 <i>c</i> 'II + 88 <i>v</i> 'II	9559
3a	5324	1331	1331	1936	968	968	11858
Etc.

expanded reproduction are based on a balancing act that is vulnerable to various kinds of disturbance, and in fact capitalism itself regularly and systematically creates such disturbances.

At the end of Volume II

So far, the presentation has moved on a level of abstraction that disregarded important aspects that in reality make this balanced growth rather precarious. It has been assumed that all commodities are sold at their values, and both the state and foreign trade have been disregarded. Most importantly, it has been assumed that organic composition is stable, which excludes all technological changes and thus abstracts from the falling tendency of the so-called rate of profits that has been previously suggested but will later be more closely investigated.

The calculations have filled their intended function in Volume II: to study capitalist circulation. Volume II has certain structural parallels to Volume I. The reproduction schemes in many ways correspond to the section on the accumulation of capital presented in a previous chapter. Volume I focused on continuous production of surplus-value for capital in general: for total capital, regarded as one single, growing capital. Volume II has instead clarified the total circulation in society, where capital is divided into several interlaced constituents.

At the end of both volumes, Marx rounded off his analysis of 'capital in general' by showing how capital reproduces itself and thereby makes capitalism a true totality: a complete and relatively stable system – at least stable enough to form a specific mode of production in history. These aspects were discussed in the chapters on accumulation and primitive accumulation, i.e. how the movement of total capital itself reproduced its initial conditions (the working class, the capitalist class, the capital-relation between capital and labour-power, etc.). This picture has now become even clearer, as Volume II has shown that capital is also in principle capable of creating the right sorts of commodities in reasonably appropriate proportions and – on the basis of equivalent exchanges according to the law of value – distributing them in a balanced manner between the right kinds of production departments.

Even though capital recreates its initial conditions of existence, and can do so on a continuously expanding scale, it still does not solve its basic inner contradictions. These contradictions are also continually reproduced, on an increasing scale. This will be shown in Volume III.

Notes

- 1 *Capital II*: 468 (Chapter 20).
- 2 *Capital II*: 469 (Chapter 20).
- 3 *Capital II*: 470–471 (Chapter 20).

11 The rate of profit

Capital Volume I investigated the production process of capital, and Volume II its circulation process. The reproduction of capital on a societal level was scrutinised, and the capitalist production process as a whole appeared as a unity of production and circulation processes. In Volume III, this unity is studied, and the presentation moves to a higher level of concretion that comes closer to the economic phenomena experienced in everyday life.

Volume III consists of seven parts divided into 52 chapters. Part I (Chapters 1–7) and Part II (Chapters 8–12) deal with the rate of profit, which will be the subject here.

The configurations of capital, as developed in this volume, thus approach step by step the form in which they appear on the surface of society, in the action of different capitals on one another, i.e. in competition, and in the everyday consciousness of the agents of production themselves.¹

As the latter category in many ways also includes most of us today, one may expect to get access to more tools for understanding our own ideas about society as well.

This implies that we are now making yet another crucial transition: from the *level of values*, where all the preceding has moved, as it has all the time been taken for granted that all commodities are sold at their true values, to a new *level of prices*, which evolves from the former level through a set of transformations to be explained in further detail below. What is now to be taken account of is *the competition between different individual capitals*, which enables the presentation to move closer to bourgeois ideology and common sense ideas about society. In a stepwise fashion, we leave the level of '*capital in general*' to reach the level of '*many capitals*'.

When the previous analysis, especially in Volume I, moved at the level of '*capital in general*', that indicated that it looked at those laws and relations that are valid for one individual capital, or in fact rather for the total capital in society regarded as one single totality. Even so, competition has already often been mentioned as a pushing force to enforce the general laws and tendencies, for instance when relative surplus-value was derived through the mechanisms

of extra surplus-value. What remains to be analysed here is the further *changes* in the general rules that the distinctions between different capitals give rise to.

The reproduction schemes in Volume II indicated how a range of demands must be fulfilled in order for reproduction to function in a continuous manner. There were for instance certain equations that identified the proportions between capital portions that are required for the accumulation process to continue. But, how can these levels of equilibrium actually arise in society? It is time to approach the mechanisms that regulate the division of labour and responsibilities between different capitals and thus give rise to a balanced production of different use-values while simultaneously satisfying the demands of surplus-value production.

In Volume I, extra surplus-value was transformed into relative surplus-value, and a similar transformation now needs to follow on this new level of many capitals. What happens if some initial values in the previous schemes happen to be 'wrong', so that there is a temporary imbalance? How will individual capitals react when competing with others? How are the general rules affected by the co-existence of different conditions of production in different branches?

In order to solve those kinds of problems, it is necessary to follow the concretisation of capital in new forms, just like Marx previously followed the development from commodities to money, and from there to capital. It is again a matter of seeking forms of appearance and possibilities to move for the internal contradictions of capitalism, so that they do not vanish but take on a higher, more concrete and complex form.

At the beginning of *Capital*, societal *labour* in a commodity-producing society was shown to create *value*, which appears in the form of *exchange-value*. The value of labour-power for instance appears as a wage. These value forms 'conceal' labour: it appears as if machines or even the investment will of capitalists could also create value. And the wage hides the value of labour-power, as it looks as if the worker sells the labour he performs, getting full payment for it. In reality, the worker sells the right of disposal of his labour-power, which is a slightly (but essentially) different matter. In this way, the value forms manage to conceal exploitation itself under an appearance of equal and fair exchange. This was expressed in the previous discussion of the *fetish character* of commodities, money, wages and capital. At the start of Volume III, Marx takes a decisive new step by analysing how the concept of *surplus-value* moves up to a more concrete level and appears as *profit*.

Profit

At first glance, looking at one individual capitalist or the total capital as a whole, leaving competition aside for the moment, surplus-value and profit are the same thing. In quantitative terms, both of them denote surplus labour translated into exchange-value (money).²

The value of a pair of shoes worth £120 ($c + v + s$) emerged when a value of £80 (c) was transferred from used-up raw materials and machine wear (fluid

and fixed constant capital), while the labour-power employed added new value of £40, which covered its own value of £20 (v) plus a surplus-value of £20 (s). This last £20 may be called surplus-value or profit, depending on which entity it is related to.

In Volume I, Marx relates surplus-value to the value of labour-power, and called this relation the *rate of surplus-value* (s/v). For these shoes, this rate is $20/20 = 100\%$. This way of looking at it emphasises the origin of surplus-value in unpaid surplus labour. Another term for rate of surplus-value is '*degree of exploitation*'. This explains the origin and emergence of value and surplus-value. The values of machines and raw materials are only transferred onto the commodity product, as they have no part in the creation of new value.

But this is not at all how it looks from the capitalist's perspective. When he estimates if his firm gives sufficient earnings, it would never cross his mind to put the earnings in relation just to the wage payments for the productive workers (who produce surplus-value), like Marx does. No, the capitalist is evidently most interested in how big are the returns in relation to his *total investments* in means of production *and* labour-power. Whether they create new value or not, both of them are necessary components of the productive capital and both are therefore also necessary costs for the individual capitalist. He rarely sees any reason to distinguish between constant and variable capital. How much can he earn for each invested £100? In the shoe example, it will be £20, i.e. 20 per cent returns on the invested capital. This 20 per cent denotes the *rate of profit* in this case, which follows from the formula:

$$\frac{s}{c + v} = \frac{20}{80 + 20} = 20\%$$

When surplus-value is related to the total invested capital instead of only variable capital, we no longer speak of surplus-value but of *profit*. So far, the actual value sum remains the same, whether it is called surplus-value or profit: the only difference is relational, as it concerns what it is measured against. When related to the value of labour-power (v) it is surplus-value, and its origin in unpaid labour is emphasised. When related to the whole investment (c + v) it is profit, which is the way that it looks from the capitalist's point of view.

The example can now be extended to a whole shoe factory, where the owner invests £5,000 in the following proportions:

c	Machines, buildings, raw materials	£4000
v	Wages	£1000
<hr/>		
	Total investment	£5000

For the sake of simplicity, we will for the moment neglect the difference between fixed and fluid capital. The value of the shoes thus produced consists of the £4,000 transferred from the constant capital plus newly produced value of £2,000, since the rate of surplus-value remains 100 per cent. The value of the produced commodities is then as shown as follows:

c	Machines, buildings, raw materials	£4000
v	Wages	£1000
s	Surplus value	£1000
<hr/>		
	Total product value	£6000

This corresponds to 50 pairs of shoes worth £120 each.

This means that our capitalist has regained all his initially invested capital plus a surplus-value of £1,000. The rate of surplus-value, s/v , is 100 %, indicating that, if the working day is 8 hours, then each worker has worked 4 hours to produce the equivalent of the value of his own labour-power (corresponding to his daily wage) and 4 hours for the capitalist without any reimbursement.

The capitalist is more interested in how much surplus-value is produced in relation to the totally invested capital, i.e. in the rate of profit, which is in this case:

$$\frac{s}{c + v} = \frac{1000}{4000 + 1000} = \frac{1}{5} = 20\%$$

There is actually no direct link between what the commodities cost and what the capitalist has paid for their production, since surplus-value doesn't cost anything for the capitalist, as it derives from unpaid labour. But, in the capitalist production process, the worker is an integral component of the productive capital owned by the capitalist. Therefore, for the capitalist, all his expenses appear as the true cost of the commodity. The capitalist sells the products and then calculates his earnings by deducting all his expenses (here $c + v = £5000$) from the total value sum for the commodity products (£6,000 in this case). Marx terms $c + v$ the *cost price* of the commodity, which can be abbreviated as *cp*. The total value of the commodities can then be denoted as $cp + s$. The capitalist measures the value of the commodity against the spent capital ($c + v = cp$), in spite of the fact that, on a deeper level, it would be more 'accurate' to measure it against the labour (v) that produced it. Regarded as a fruit of the capital expense, the surplus-value takes the distorted but nonetheless real form of profit, and the commodity value appears as the sum of cost price and profit.

Profit, as we are originally faced with it, is thus the same thing as surplus-value, save in a mystified form, though one that necessarily arises from the capitalist mode of production. Because no distinction between constant and variable capital can be recognized in the apparent formation of the cost price, the origin of the change in value that occurs in the course of the production process is shifted from the variable capital to the capital as a whole. Because the price of labour-power appears at one pole in the transformed form of wages, surplus-value appears at the other pole in the transformed form of profit.³

In contrast to the rate of surplus-value s/v , the rate of profit $s/(c + v)$ says nothing about the relation between necessary labour-time (paid labour, corresponding to v) and surplus labour-time (unpaid labour, corresponding to s). And the capitalist does not even consider the profit (or surplus-value) as a part of the real value of the commodity. For him, the real value of a pair of shoes is not £120 ($c + v + s$) but only £100 ($c + v$). This is because he has not paid more than that for those shoes. In his perception, another £20 is added at the moment he sells the shoes. In this manner, the form of profit – the appearance of surplus-value as profit and the transformation of the rate of surplus-value into the rate of profit – conjures away exploitation and conceals the fact that nothing other than labour-power creates surplus-value. ‘Surplus-value and the rate of surplus-value are, relative to this, the invisible essence to be investigated, whereas the rate of profit and hence the form of surplus-value as profit are visible surface phenomena’.⁴

In the accounts of the capitalist, labour-power only appears as an expense among others, as a value (v), which circulates in a similar way as the fluid (or circulating, as Marx tends to call it in Volume III) portion of constant capital. ‘From the standpoint of capitalist production, however, this actual state of affairs necessarily appears upside down’ and, through the identification of the circulating (fluid) portion of constant capital with variable capital, ‘the valorization process of capital is completely mystified’.⁵ But behind closed doors in the capitalist’s factory, the worker lives and functions in a different form, as the one who performs living labour that creates value under the capitalist’s command. This is effectively concealed in the profit form, which instead gives rise to the appearance that the capitalist in some way conjures forth profit by smart tricks – by skilled sales methods or by smart investments in machinery, raw materials and other means of production.

Since all sections of capital equally appear as sources of the excess value (profit), the capital relation is mystified.

Yet the way that surplus-value is transformed into the form of profit, by way of the rate of profit, is only a further extension of that inversion of subject and object which already occurs in the course of the production process itself.⁶

This is not to be interpreted as if the appearance (profit) is less real than the true essence (surplus-value). They are just on two different levels of abstraction.

In Volume I, Marx dug down deep under the surface of appearances, hunting for basic relations, and there he found the production of surplus-value. That analysis was very abstract, since it concerned the most general conditions for production in the widest possible perspective: from the position of the totality of society. But the abstract capitalist class in reality consists of individual, concrete capitalists and, from their perspective, it is the rate of profit, not the rate of surplus-value, which is decisive. Their activities are governed by the necessity to uphold the rate of profit.

On this new and higher (more concrete) level of abstraction, corresponding to the outlook of individual capitals in relation to each other, it is therefore the rate of profit rather than the rate of surplus-value that decides how capitals move. Volume III investigates how that functions: which real implications the distinction between surplus-value and profit has for society, besides hiding the mechanisms of exploitation in everyone's mind. This makes it possible to understand the very effective mechanism that makes these concepts real abstractions: laws and concepts that really exist in societal reality, not just imaginary constructions in our brains – or those of capitalists or bourgeois economists.

Thus even if the rate of profit is numerically different from the rate of surplus-value, while surplus-value and profit are in fact the same and even numerically identical, profit is still for all that a transformed form of surplus-value, a form in which its origin and the secret of its existence are veiled and obliterated. In point of fact, profit is the form of appearance of surplus-value, and the latter can be sifted out from the former only by analysis. In surplus-value, the relationship between capital and labour is laid bare. In the relationship between capital and profit, i.e. between capital and surplus-value as it appears on the one hand as an excess over the cost price of the commodity realized in the circulation process and on the other hand as an excess determined more precisely by its relationship to the total capital, *capital appears as a relationship to itself*, a relationship in which it is distinguished, as an original sum of value, from another new value that it posits. It appears to consciousness as if capital creates this new value in the course of its movement through the production and circulation processes. But how this happens is now mystified, and appears to derive from hidden qualities that are inherent in capital itself.

The further we trace out the valorization process of capital, the more is the capital relationship mystified and the less are the secrets of its internal organization laid bare.⁷

Until now, the rate of surplus-value and the rate of profit have differed, while the magnitude of surplus-value and that of profit remained identical. In what follows, the differentiation opens up the possibility for profit itself to diverge from surplus-value also in absolute terms.

Average profit

It is easy to see that, unlike the rate of surplus-value, the rate of profit is dependent on the organic composition. This concept was introduced in Volume I, and Marx repeats its definition as ‘the ratio between its active and its passive component, between variable and constant capital’, and reminds us that it expresses an interrelation between what he termed the value composition and the technical composition of capital: ‘The *organic* composition of capital is the name we give to its value composition, in so far as this is determined by its technical composition and reflects it’.⁸

The organic composition can be mathematically expressed in various ways. The point is to see how the mass of means of production relates to the mass of labour-power. The formula c/v expresses the value-relation between invested constant and variable capital before the production process has started, while the formula $c/(v + s)$ instead compares constant capital to the value-product of living labour at the end of that production process. We will for simplicity use the first formula here.

The organic composition by necessity varies between different industrial branches. A more ‘labour-intense’ branch demands relatively many workers for relatively few machines and raw materials, as a result of use-value-related characteristics of the labour process. Technical inventions can even out such differences, but there can be no complete equalisation in this respect. For instance, the textile industry long had considerably lower organic composition than the petrochemical industry, which was much easier to automatise.

Let us call our old shoe capitalist A. The organic composition of A’s capital was $c/v = 4000/1000 = 400\%$ (or just 4). A’s rate of profit was $s/(c + v) = 20\%$. Let us continue to assume that the rate of surplus-value (s/v) or degree of exploitation is 100 per cent in all branches of society. This is a reasonable assumption if the labour-power is mobile enough, since it indicates that the relation between labour performed and wage is rather uniform.

For comparison, let’s have a look at a petrol producer B, who possesses much more means of production for each worker than A:

c	£4500	}	£5000 invested capital (c + v)
v	£500		
s			
	£500		
			£6000 in petrol products

This yields organic composition of $c/v = 4500/500 = 900\%$ and a rate of profit of just $s/(c + v) = 500/5000 = 10\%$.

A similar difference can also arise when two capitals have different turnover times. It was shown in the last chapter that the same invested capital might produce different amounts of surplus-value over a year, depending on the length of the turnover time. Under simple reproduction, double turnover time halves the rate of profit. Here, turnover times are disregarded in order for us to focus on the role of organic composition.

Irrespective of their origins, differences between the rates of profit in different branches have decisive effects on the distribution of profit and the development of production. We have now taken the definite step over to regarding *competition* between different capitals (in different branches).

Capital tends to move to those branches that tempt with the highest profits. In our example, the shoe industry offers a very high rate of profit. Investing £1,000 there will yield £200 in profit, while the same investment in the petrol industry will only yield £100. One can thus earn big money by quickly starting shoe production – but only until customers have more shoes than they need. Then, the shoe factories are forced into fierce mutual competition. They must reduce their shoe prices in order to get rid of their stock, before the shoes are completely out of fashion. Shoe prices will fall below what was initially their true values, and this of course will affect profit. The rate of profit shrinks in the shoe business.

Assume that the whole society consists of three branches, each with an identical rate of surplus-value but different organic composition. Assume also that equal amounts (£100) are invested in each branch (see Table 11.1).

Even though workers are equally exploited everywhere, the rates of profit vary considerably. The shoe producers A have a higher rate of profit than the petrol producers B. This will entice several petrol producers to close down their plants and open up shoe factories instead or, even better, establish themselves in the C branch. This will make the shoe prices (or the prices of C's products) fall. At the same time, petrol prices will rise, since there will be a relative lack of petrol if the need for petrol remains constant in society. The remaining petrol plants can sell their products above their values, while for instance shoe producers have to sell theirs slightly under their values. The rate of profit falls in the shoe business, while rising in the petrol business. This continues until they are equal.

If shoe profits continue to sink under the level of petrol profits, then capital will again flow away from the shoe branch, in the other direction, to more

Table 11.1 Branches with different organic composition

<i>Capital</i>	<i>Rate of surplus-value</i>	<i>Surplus-value</i>	<i>Product value</i>	<i>Rate of profit</i>
A. $80c + 20v = 100$	100 %	20s	120	20 %
B. $90c + 10v = 100$	100 %	10s	110	10 %
C. $70c + 30v = 100$	100 %	30s	130	30 %

profitable investments, for instance petrol production. This may for instance happen by shoe factories closing down or by worn-out machines not being replaced by new ones. A lot of societal value is destroyed in this process. This may seem planless – and capitalism *is* planless! But there is still a kind of logic in the middle of this anarchy!⁹

All three branches A, B and C must of course be pulled into this competition between capitals and flow between branches, as everybody is necessarily integrated in the planless logic of competition. Thereby, the differences between rates of profit in different branches are levelled out and there is a tendency toward equalisation – a tendency towards the formation of a general or *average rate of profit*, which can be denoted by p' .

This common rate of profit for the whole society, around which the rates of profit of individual companies and branches oscillate, can be regarded as the relation between all surplus-value produced and the total capital size. In our model society with its three branches, the average rate of profit will not land in the middle between A and B, since the third branch C is also pulled into the equalising process.

Total societal capital: $A + B + C = 240c + 60v$.

Rate of surplus-value: $s/v = 100\%$.

Rate of profit: $s/(c + v) = 1/5 = 20\%$.

This is thus the average rate of profit. When the whole equalising process is 'finished' (though it in practice always remains an unfinished, dynamic balancing act), each capitalist will therefore sell his commodities at a price that guarantees him the average rate of profit of 20 per cent. By coincidence, this happens to be the rate that A had from the beginning, as A turned out to have an average organic composition.

Prices are then no longer identical with values, and produced surplus-value and appropriated profit will no longer be quantitatively identical for each capital.

As long as we look at society as a whole, the total sum of profits equals all surplus-value produced. But this sum is redistributed between individual capitalists (and branches) so that everybody is in the long run guaranteed an average rate of profit. This is what makes prices diverge from values and profits from surplus-values.

This level of presentation still makes certain important simplifying abstractions. It is for instance disregarded that in reality other exploiters need also to take their slices of the cake: finance capital and landowning capital. The 'public sector' of state and taxes is also disregarded. It is still taken for granted that there are only differently composed industrial capitals that are to share the total mass of surplus-value.

With the average rate of profit of 20 per cent, each capitalist should get £20 back for each invested £100. This does not depend on how much or little surplus-value is actually produced by the workers he employs, as long as such

differences only depend on different organic compositions (or necessary turnover times). Table 11.2 shows the result:

Table 11.2 Branches with different organic composition after competition has resulted in an average rate of profit.

<i>Capital</i>	<i>Rate of surplus value</i>	<i>Surplus value</i>	<i>Product value</i>	<i>Cost price</i>	<i>Production price</i>	<i>Rate of profit</i>
A. $80c + 20v = 100$	100 %	20s	120	100	120	20 %
B. $90c + 10v = 100$	100 %	10s	110	100	120	20 %
C. $70c + 30v = 100$	100 %	30s	130	100	120	20 %

As before, the table assumes that all constant capital has been used up in producing these products. The division between fixed and fluid capital modifies the figures, but not the underlying principle.

The product price or commodity price thus calculated, consisting of the cost price plus average profit, is called *production price*. Put as a formula, it can be expressed as $cp \times (1 + p')$. This redistribution does not affect the shoe capitalist, since he happens to have average figures from the start. But petrol producers will now sell petrol with a value of £110 for as much as £120. Their workers have only produced £10 in surplus-value, but these petrol capitalists can still appropriate £20 in profit for each invested £100. On the other hand, the capitalists in branch C 'lose' £10 of surplus-value. All three capitalists are now satisfied, since they get the same annual dividend on their invested capital. Nobody wishes to change branch anymore. A balance has been reached – even though this is in reality only a temporary and unstable one: a tendency towards equilibrium realised only through a series of uncontrollable crashes and movements of capital.

Production prices

Before Volume III, Marx only dealt with commodity *values*. On the one hand, a part of this value has been separated off in the form of *cost price*. On the other hand, a transformed version of value has been introduced: the *production price* of the commodity. Surplus-value is *produced* by workers under the control of individual capitalists. Circulation and competition *distributes* surplus-value 'fairly' between capitalists in proportion to the capital sum each has invested and thus no longer in relation to how much surplus-value each capitalist's workers have contributed. *Profit* is the term for surplus-value distributed in this way. It is this mechanism that makes profit something truly existing in society, not only a fiction but a 'real abstraction'.

There is a tendency for an average rate of profit to develop in society. In branches with high organic composition, where relatively few workers are combined with expensive machines, not much surplus-value is produced in relation to the capital that must be invested there. Remember that only labour-power creates value! On the other hand, much surplus-value for each invested capital sum is produced in branches with lower organic composition. If all branches shall yield roughly the same rate of profit, surplus-value must be transferred from branches with low organic composition to those with high composition. As seen in our example, this transition is initiated when branches with low composition are forced to sell their products at prices beneath their original values, and the reverse for those with high composition. These adjustments are enforced by competition – there is no conscious planning behind them. Later chapters will give more examples of a similar redistribution between groups of exploiters of surplus-values that have been already produced.

Without competition, production prices would never hold in reality. The analysis has thus definitely pulled competition into the picture. It is competition that makes it possible to no longer sell commodities at their ‘individual values’. And even though ‘individual values’ and prices differ at this level of abstraction, the average as well as the sum of them remains identical. There is only a given total mass of value to distribute across the prices of all different commodities. Marx insists that competition and the market – the sphere of circulation – never produce any new values!

Capital started by asking: What is value? Marx replied that the essence of value is a result of abstract labour in general. In order to reach down to the essence of value, it was necessary to decipher value’s forms of appearance in concrete reality. Lots of modifying, secondary factors were initially disregarded at this level of abstraction, including the competition between different capitals. At this new level in Volume III, a much more concrete form of appearance of the value of a commodity has been encountered, namely its production price, expressed as $cp \times (1 + p')$, where the cost price cp corresponded to $c + v$ earlier. Previous forms of appearance of the value were the exchange-value (the relation of a commodity to the other commodities on a market, in exchange) and money (as general equivalent): this is what has enabled us to express values in £s rather than in hours.

The production price is a form of appearance that tends to veil the fact that labour is the origin and only source of value and surplus-value. The profit form hides the truth about surplus-value and erases the distinction between constant (fluent) and variable capital. The transformation of surplus-value into profit is actually both quantitatively and qualitatively veiling. It gives the impression that exploitation is less than it really is, since the rate of profit is always less than the rate of surplus-value, as surplus-value is then measured against the whole invested capital rather than against only its variable part. And the form of profit also ‘qualitatively’ conceals the source of surplus-value, again by putting it in relation to the whole invested capital instead of just living labour. This further illustrates the necessity of penetrating below the surface of appearances!

The *competition between branches* thus allows the capital of each branch to merge its costs, $c + v$, with the cost price, cp , and onto that put a profit determined by the average rate of profit, p' . This evening-out of rates of profit develops between different branches, but not between companies producing the same kinds of commodities. The basic reason why this equalising happens is that different kinds of commodities, due to aspects related to their use-values, demand different labour processes (concrete labour) that give rise to different organic composition (or different turnover times). The competition between branches thus results in a both chaotic and indirectly logical manner in which capital is distributed across all branches, according to the societal needs for the products of each branch.

The law of value previously hinted at the same principle of distribution, as commodities were paid for at their values, i.e. depending on the socially (or rather societally) necessary labour on average invested in producing these commodities. As now the same commodities are regarded as products of individual capitals competing on a market, the law of value is transformed, but without losing its fundamental role for capitalism. The equalisation of rates of profit makes prices differ from values, but at the same time guarantees that the demand for (value-related) valorisation and the aspect of (use-value) needs do not collide with each other. Otherwise, the materially necessary differences in organic composition and turnover time would result in indispensable branches collapsing and vanishing, which would have disastrous consequences for the whole existence of capitalism.

Whatever may be the ways in which the prices of different commodities are first established or fixed in relation to one another, the law of value governs their movements. When the labour-time required for their production falls, prices fall; and where it rises, prices rise, as long as other circumstances remain equal.¹⁰

Even though prices no longer equal the 'individual values' of commodities, the law of value thus continues to determine the movements of prices. For Marx, it is important that the abstract and fundamental relations from Volume I are not cancelled by the more concrete modifications presented in Volume III: the deep essence must appear, and in distorted forms, but still remains present as the ultimate driving force under the surface of everyday realities.

Market values

Now, how does *competition within branches* function? Assume that there are three shoe firms, whose shoes are comparable in terms of use-value. The factories of A' compete with those of A'' , which are old and outmoded, and with those of A''' , which are much more modern and efficient than those of A' . Under these conditions, the shoes that A'' produces contain more individual labour-time and those of A''' less than those of A' . Had they belonged to

different branches, where the differences between them had been unavoidable, all three would have been able to count on the average rate of profit. But this won't happen now. No customer will pay extra for a pair of shoes just because the company runs a less efficient operation than other competitors in shoe making – at least not under the normal laws of the capitalist free market. No, A'' will be forced to sell his shoes at roughly the same price as A' , and A''' can on the other hand happily conquer an *extra profit* with the aid of his unusually high efficiency (productivity). This is parallel to what was described in the chapter on relative surplus-value as the mechanism of *extra surplus-value*.

This aspect will be further discussed in the following chapter. Suffice here to note that competition within one single branch in the long run inevitably leads to a levelled price for each kind of commodity. The dominant producer in each branch can to a large extent determine the price level, which will be placed near the average for the three firms. (Marx is actually a bit vague here, as he both talks of the dominant group of capital and of the balanced average of all capitals in a branch. There is a distinction in principle between these two ways of looking at it, but in practice they will mostly not diverge too much. It might be safer to stick to the average level rather than one dominant producer.) Competition within branches thus transforms production prices one step further into *market values* (see Table 11.3).

Still the sum (and the average) of all values remains roughly the same as the sum (and the average) of market values, as well as of the production prices, as before.

These kinds of competition mechanisms force capitalists to endlessly renew technology, from an irresistible pressure in capitalism to develop the forces of production, through the extra surplus-value that is transformed into extra profit and through the production of relative surplus-value that was explained in Volume I. The next chapter will show how such a mechanism makes organic composition continuously rise so that the rate of profit tends to fall. This has also been touched upon before, in the section dealing with the accumulation of capital, but at this stage we have developed tools to more fully understand this. As the tendency of the rate of profit to fall lies at the heart of the capitalist crisis, this is a central topic in Marx's theory.

Table 11.3 Competition between capitals within the same branch

<i>Capital</i>	<i>Cost price</i>	<i>Rate of profit</i>	<i>Production price</i>	<i>Market value</i>	<i>Realised profit</i>
A'	100	20 %	120	120	20
A''	110	20 %	132	120	10
A'''	90	20 %	108	120	30

Value transformations

Before moving ahead, some other aspects of the further transformation of value can be outlined. Supply and demand temporarily makes it possible for commodities to be sold at prices above or below their (market) values. In this way, market values are further transformed into *market prices*. In this process, as before, no value is created or erased, since it is still only a matter of already existing value that is transferred between different capitals. What one commodity owner thereby gains, the other will lose.

Over a longer period of time, supply and demand will even out. As was explained in the initial commodity analysis, supply and demand do not explain the specific level of commodity values or, by extension, commodity prices. Supply and demand are just part of those mechanisms of competition that make it possible for the law of value and other fundamental rules to be realised, to have an impact on the concrete surface level of society. Firms with extremely low productivity go down and capital moves to where the rate of profit is highest. Finally, market prices tend on average to correspond to the average production price of each branch. Marx here talks of a *market price of production*, which guarantees each capital the average rate of profit, but we need not here specify the exact steps in this complex transformation process.

From what has been said so far, we can see that each individual capitalist, just like the totality of all capitalists in each particular sphere of production, participates in the exploitation of the entire working class by capital as a whole, and in the level of this exploitation; not just in terms of general class sympathy, but in a direct economic sense, since, taking all other circumstances as given, including the value of the total constant capital advanced, the average rate of profit depends on the level of exploitation of labour as a whole by capital as a whole.¹¹

This indicates why each capitalist after all has a direct economic interest in keeping the rate of surplus-value as high as possible.

We thus have a mathematically exact demonstration of why the capitalists, no matter how little love is lost among them in their mutual competition, are nevertheless united by a real freemasonry vis-à-vis the working class as a whole.¹²

Competition in many ways expresses key characteristics of capitalism, such as its aggressive individualism and its lack of compassion as well as of rational planning.

What competition does *not* show, however, is the determination of values that governs the movement of production; that it is values that stand behind the prices of production and ultimately determine them. Competition

exhibits rather the following phenomena: (1) average profits that are independent of the organic composition of capital in the various spheres of production, i.e. independent of the mass of living labour appropriated in a given sphere of exploitation; (2) rises and falls in the prices of production as a result of changes in the wage level – a phenomenon which at first sight seems completely to contradict the value relationship of commodities; (3) fluctuations in market prices that reduce the average market price of a commodity over a given period of time, not to its market *value* but rather to a market price of production that diverges from this market value and is something very different. All these phenomena *seem* to contradict both the determination of value by labour-time and the nature of surplus-value as consisting of unpaid surplus labour. *In competition, therefore, everything appears upside down.* The finished configuration of economic relations, as these are visible on the surface, in their actual existence, and therefore also in the notions with which the bearers and agents of these relations seek to gain an understanding of them, is very different from the configuration of their inner core, which is essential but concealed, and the concept corresponding to it. It is in fact the very reverse and antithesis of this.¹³

Capitalist competition both reveals and hides the true nature of this mode of production. A condensed repetition serves to remind us of the forms of appearance that value has undergone so far.¹⁴

- 1 Value as socially necessary, abstract labour. This is the most fundamental level.
- 2 Value as the sum of necessary labour and surplus labour = $v + s$. With capitalist wage-labour, where labour force is a commodity, the value of a commodity can be divided into one part (v) covering the value of the labour-power used for producing it, and the rest (s) being unpaid surplus labour.
- 3 Value as $c + v + s$. When dealing with a segment of the production process – for instance the production of one year or of one company – the starting point is not from scratch, but from certain amounts of stored, dead labour in the means of production (machines and raw materials). This stored incoming value is transferred in unaltered size onto the produced commodities. The value of a commodity can therefore now be divided into transferred value c (constant capital) and newly created value $v + s$ (variable capital and surplus-value).
- 4 Production price $cp \times (1 + p')$. Competition between branches with different organic composition or different turnover times redistributes surplus-value between the capitals in these branches, so that an average rate of profit, p' , arises. From then on, the commodity gets a production price that is determined by the capitalist adding onto his costs for the production of the commodity $c + v$, called cost price, cp , a profit calculated from the average rate of profit.
- 5 Market value. Competition between capitals within each branch gives rise to a uniform price for each kind of commodity. Thereby, the most productive

firms in each branch can reap extra profits, while the least productive are annihilated. This propels technological development.

- 6 Market price. Temporary fluctuations in supply and demand let prices oscillate around market values.
- 7 Market price of production. In the long run, prices still tend on average to be on a level with the production price of each branch.

This is a slightly different chain than has been outlined before: value – exchange-value – money – capital It is instructive to reflect upon the relation between the two.

Marx mentioned both value and price as early as the first chapter of *Capital*, Volume I, where he stated that ‘the simple form of value [...] is an embryonic form which must undergo a series of metamorphoses before it can ripen into the price-form’.¹⁵ It is precisely those metamorphoses that have now been pursued. The mechanisms of competition described here specify what is socially necessary labour. Market values therefore *are* really values, standing for socially necessary labour, if one does not abstract away the divisions between different capitals. Values should not be reduced simply to what Marx sometimes calls ‘individual values’, i.e. the labour-time actually spent on an individual commodity, while market values would then just be a modifying addition. If labour-time is to correspond to real value, it has to be deemed as socially necessary, necessary on a society-wide scale, and competition between capitals is the mechanism that capitalism uses for determining this societal necessity. Price and value are therefore not quite as distinct as one may sometimes believe.

Different Marxist economists have debated all these transformation problems intensely and come to radically different conclusions. Some drastically separate prices from values, others mix them up, some argue that the level of values is superfluous, since only prices ‘exist’, etc.¹⁶ A critical argument has been that Marx may have made a mistake by using pure values for the initial sums combined in the cost price, since in reality it should be prices already at that point. Marx may be defended as having just offered the first micro step of the very process in which values are transformed into prices, which then needs to be pursued until the whole transformation is fulfilled.

Notes

- 1 *Capital III*: 117 (Chapter 1).
- 2 This example borrows from Broady (1976: 100–101).
- 3 *Capital III*: 127 (Chapter 1).
- 4 *Capital III*: 134 (Chapter 2).
- 5 *Capital III*: 121 and 124 (Chapter 1).
- 6 *Capital III*: 136 (Chapter 2).
- 7 *Capital III*: 139 (Chapter 2).
- 8 *Capital III*: 244 and 245 (Chapter 8).
- 9 These formulations derive from Broady (1976: 102).
- 10 *Capital III*: 277 (Chapter 10).
- 11 *Capital III*: 298–299 (Chapter 10).

- 12 *Capital III*: 300 (Chapter 10).
- 13 *Capital III*: 311 (Chapter 12).
- 14 See Rosdolsky (1968/1977: 74–95) on the role of use-value.
- 15 *Capital I*: 154 (Chapter 1).
- 16 Sweezy (1942); Shaikh (1977); Meek (1977/1980).

12 Crises

Part 3 (Chapters 13–15) of Volume III fully presents Marx's analysis that aims to show that the rate of profit tends to fall as a result of capitalist accumulation itself. This is a core element in Marxist crisis theory that makes tangible how capitalism bears fatal inner contradictions that must eventually lead to its own downfall. It is also a topic that has an obvious urgency in relation to current events and debates. In his scheme for the continuation of *Capital*, Marx planned to deal with crises much later, after having first investigated not only trade, banks and landowning (which is here presented in the next chapter) but also classes, the state, foreign trade and the world market. As these sections were never written, a brief treatment of crises will be made here in conjunction with the analysis of profit, since there is a connection between those topics, but also incorporating elements from Volume I and from *Grundrisse*.

The development of productive forces

In capitalism, the goal of production is to create surplus-value. An individual capitalist can increase his share of surplus-value in two principal ways. First, he can extend his production activities on the same technological level by simply employing more workers or prolonging their workday. This corresponds to the production of absolute surplus-value and is called *extensive* capital accumulation or extensive growth, where 'extensive' derives from a Latin word meaning to 'stretch out', indicating that the process tends to expand outside its previous borders. For this to happen, there must exist additional labour-power to recruit for production. Capital need not modify production techniques but can stick to the old methods. A 'formal subsumption' suffices – or at least the level of capitalist forming of the labour process (according to the demands of valorisation) that has already been reached before.

This extensive growth model soon reaches its limits. The working population of the earth cannot be indefinitely expanded. Capital is forced to search for relative surplus-value, which drives the real subsumption of labour under capital. This results in *intensive* capital accumulation, which was likewise presented in the chapter on accumulation in Volume I. A kind of border case that was discussed in the context of absolute and relative surplus-value is when an

accelerated tempo increases the intensity of labour without any other change in the labour process. But, in the long run, the more important method to appropriate more surplus-value is by substituting living labour with machines. This method turns out to have decisive consequences for the development of capitalist society.

An individual capitalist earns money by introducing labour-saving machines if this makes it possible to produce a larger amount of use-value than before with the same or an even smaller labour effort (and wages). Here, both living (v) and dead (c) labour must be included. The capitalist must produce more commodities at the same cost price. New machinery mostly implies that constant capital grows. The costs of labour-power must therefore be even further reduced.

If the total amount of labour per product is reduced, there has been a *development of the productive forces* or an *increase in the productivity of labour*. Increased productivity of labour means that the relation between use-value and value has been displaced, so that each produced item contains less value than before.

Let us revisit our old shoe capitalist. Assume that he is the first in his branch to introduce a new sewing machine at an annual cost of £1,000, which enables him to let the same number of workers produce twice as many shoes every year. The wages and the total number of working hours are the same, so that the variable capital, v , is still £1,000 and surplus-value, s , is also £1,000. Twice as much raw materials will be used, since twice as many shoes will of course require twice as much leather and yarn. Under these circumstances, if the old item c (constant capital) is divided into its fixed and fluid constituents (half of each before the innovation), the new conditions of production will look as shown in Table 12.1:

Table 12.1 Value effects of improved machinery in one company

		<i>Before innovation</i>	<i>After innovation</i>
c fluid	Raw materials	2000	4000
c fixed	Machines	2000	3000
v	Wages	1000	1000
s	Surplus-value	1000	1000
$c + v + s$	Total shoe value	6000	9000
	corresponding to	50	100
	shoe pairs, each worth	120	90
s/v	Rate of surplus-value	100 %	100 %
$s/(c + v)$	Rate of profit	20 %	12.5 %

One might first believe that, with the new machine, our capitalist for his investment of £8,000 ($c + v$) achieves a surplus-value of £1,000, corresponding to the surplus labour performed by his workers. This would lead to a rate of

profit of 12.5 per cent, which is lower than before the innovation. This is how the last column of the table was constructed. This is also what would happen if this capitalist was the only one in his branch.

However, the advantage of our shoe industrialist is that all his competitors still use older methods of production. They continue to make similar shoe pairs for £120 each, and it can therefore be assumed that the market value at least for a while remains near to £120 for each pair of shoes.

This deserves three remarks. First, at this particular moment, we disregard that competition between different branches which gives rise to production prices. It is for instance here assumed that the shoe branch produces with average organic composition from the start. The modifications caused by production prices will in fact not seriously affect the mechanisms studied here.

Second, our example presupposes that the demand for shoes can expand so that the whole output of shoes can be sold at ordinary prices. In reality, if supply and demand were balanced before the increase of production, 50 pairs of shoes would remain unsold on the market. Those would not necessarily be those made by our particular firm. If the capitalist for instance reduced his prices just a couple of per cent, it would instead be some other shoe producer who lost customers and would perhaps even have to close down his operations, so that supply would again correspond to demand. The assumption that all shoes are sold represents an abstraction from the problems of circulation and realisation of value.

Third, our capitalist's innovation has repercussions also at the level of values, since it entails that overall shoe prices ought to be slightly reduced, as the soci(et)ally necessary labour in each pair of shoes has diminished. If all shoes are sold, 50 more pairs have been made by the same amount of labour-power. Shoe prices may therefore be expected to move down towards the £90, but the most important thing in this context is that our old capitalist can sell his shoes for *more* than £90 per pair. By setting a reasonably high price under £120, he can be reassured that his particular shoes find customers and still get paid considerably more than the sum of money that would correspond to the amount of labour spent on his particular shoes (£90). In our example, for simplicity, we keep the old price (£120) – we might for instance imagine that our factory owner has such a small share of the market that his lower production costs will not yet make themselves felt in the market value of the shoes.

Back to the example, our capitalist thus manages to sell his shoe pairs for £120 instead of £90 each. This means that, besides the regular surplus-value of £1,000, which his own workers have produced, he can secure an *extra profit* (transformed extra surplus-value) of £30 for each pair of shoes – £3,000 in total. His real rate of profit therefore turns out to be:

$$\frac{3000 + 1000}{7000 + 1000} = \frac{4000}{8000} = 50\%$$

This is considerably higher than before. If the shoe prices fell to £100 per pair, he would still have a rate of profit of:

$$\frac{1000 + 1000}{7000 + 1000} = \frac{2000}{8000} = 25\%$$

This is still more than the 20 per cent that he could count on before he acquired the new machine.

What motivates our capitalist to raise the productivity of labour by introducing labour-saving machinery is the prospect of extra profit, so that his individual rate of profit will rise. Now, if he does not constantly strive to introduce the most modern methods of production, it will be *he* who is by competition driven out of business. Look at A'' – the poor competitor of A' – with his old fashioned machines (see the section on market values in the previous chapter). A'' had a cost price of £110 per shoe pair, and his rate of profit was in the beginning already lower than average (10/110 = 9 %). But he could at least still gain £10 for each £110 he invested in shoe production. But, if now the new machines get a real breakthrough and come to be the standard all over the shoe branch, the market value will fall to, let's say, £100. In that situation, A'' is doomed, since each sold shoe pair will then bring him a pure *loss* of £10. There is no way to escape the force of competition, except if A'' manages to also buy the new machines.

Once again, this example shows that, for a capitalist, staying behind the development of production methods is suicide. No capitalist can in the long run be 'kind' and stay outside technological development and the hunt for profit. If he does, the reduced profit will soon turn into pure loss. The fundamental structure of capitalism, with the competition between the many individual capitals as a motor, has an inherent *tendency to develop productive forces*.

Since the birth of capitalism, machinery and big industry has developed enormously. People have created masses of new means to master natural forces and exploit the riches of nature for human purposes. The amount of labour needed for satisfying the most elementary needs has thereby been drastically reduced.

In previous societies, it was more or less arbitrary which scientific or technological advances were made, as this depended on the interests and ingenuity of individuals. The structure of society in fact often prevented inventions or discoveries being used in production processes. For instance, a rudimentary steam engine was actually constructed as early as classical antiquity, as described by Greek mathematician Hero of Alexandria in the first century AD. As slaves afforded almost free labour-power, there was no incentive to use such an engine in production.

In contrast, capitalism puts science and technology to the service of industry, and the competing capitals systematically strive to make production more effective and develop new products. In this way, capital shapes the '*objective*' conditions for people to overcome their immediate dependence on natural

forces and potentially become liberated from traditional burdens and limitations. In this sense, Marx sees capitalism as a 'progressive' epoch in the history of humanity: *capital has a civilisatory tendency*.

It should be noted that the capitalist form of organising science and technology contains certain counteracting tendencies as well. Research resources are for instance wasted when firms keep results secret in order not to lose an advantage over competitors. Monopolistic big firms often prevent or delay the use of new research results that they cannot immediately valorise themselves.

Even more importantly, this progressive historical function of capitalism is intimately interwoven with its antithesis. Machinery is potentially a means for shortening the working time for everyone. In capitalism, it instead becomes a means for creating unemployment and thereby prolonging working time for those who remain employed. Machinery makes it possible to ease work, but capital uses it for accelerating the tempo. Machinery is a victory of human beings over natural forces but, as formed by capitalism, it is a tool for subsuming wage-labourers under capital, as an alien power that exploits them.

Capitalism develops the productive forces of society, and this development increases societal wealth. But this increase does not spill over to the working class, as it is appropriated as surplus-value by the capitalist class, being a personification of the individual capitals. Surplus-value is invested in new production that creates surplus-value. As a result, growing wealth is accumulated in society, but not as common wealth, but as private capital, which continuously intensifies the exploitation of the working class.

The mutual competition of capitals lends capitalist production 'anarchic' character, as there are no controlling need- or use-value-oriented rules or principles that gives it any rational order. This induces an enormous waste of societal labour. Unproductive labour is needed to control both the work of wage-labourers and the circulation of commodities, money and capitals. Individual capitals waste lots of money on marketing and other tools for competition. Commodities that cannot be sold with sufficient profits are destroyed. Vast bureaucracies are constructed to administer away the inherent problems of the system. Human creativity gets lost in mass unemployment or impoverishing and monotonous labour in factories and offices. The accumulation of capital wealth corresponds to an unbelievable physical, social, mental and ecological poverty all over the earth. Capitalism pollutes water, soil and air in its relentless hunt for natural resources in the form of metals, energy, animals and plants, putting the very survival of all living creatures in danger.¹

The tendency of the rate of profit to fall

The growing wealth of capital is thus accompanied by human and societal poverty. This is just one aspect of the contradictory character of capitalist development. Capital also tends to raise obstacles for its own development in another way. Its own unrestrained pursuit of surplus-value has an innate tendency to erode the very foundation of surplus-value production. Labour is the

ultimate source of all surplus-value. In order to raise profits, the individual capitalist substitutes labour with machines. Dead labour grows in relation to living labour. This removes the very source of surplus-value: labour.

Our shoe producer first increased his amount of profit as well as his rate of profit by investing in labour-saving machinery. This gain was dependent on his competitive advantage in relation to other shoe producers. He could sell his shoes above their 'individual value', since the market value, or the (true) 'societal value', was determined by the conditions of production among the majority of big capitalists who had not yet installed the new machinery. (The expression 'individual value' is just a temporary aid construct, as all true values are societal; this is why it is written within inverted commas.)

In our example, one pair of shoes had a value of £120. Our advanced capitalist sold shoes for £120 that had an 'individual value' of £90. He might perhaps have sold them for £110 or even £100, in order to conquer a larger portion of the shoe market from his competitors. He actually had to do so in order to sell twice as many shoes as before. The societal value may also have slightly diminished in proportion to the share of our capitalist, thanks to his new machine.

The advantage of this shoe producer later vanished, as other capitalists installed the new machinery. The societal value of the shoes, and therefore their market value, will then come closer and closer to £90. At the same time, our capitalist will see his extra profit of almost £3,000 shrink until it finally vanishes. Table 12.2 shows how it looks for him first when he is alone with the new machinery and then when all capitalists have got the same machinery:

Table 12.2 Value effects of improved machinery in a whole branch.

	<i>Before</i>	<i>After</i>
c	7000	7000
v	1000	1000
s	4000	1000
c + v + s	12000	9000
100 pairs at	120	90
s/(c + v)	50 %	12.5 %

The most notable aspect of this result is not that our capitalist's rate of profit has fallen from 50 per cent to 12.5 per cent, but that this new rate of profit, which is now valid for all capitalists in the shoe business, is also lower than the average rate of profit in the branch was before anyone had yet installed the new machinery – it was then 20 per cent.

The efforts of individual capitalists to improve their profit opportunities thus finally leads to diminishing profit opportunities for all capitalists in a branch. The same mechanisms function for all capitals in all branches of society, and it was shown above that there is a tendency for a relative equalisation around the average rate of profit. *The average rate of profit thus has a tendency to fall.*

The same mechanism that initially increased the rate of profit of an individual capital must in the end thus diminish it for the total capital. It is therefore no wonder that it is easy to get the wrong impression from immediate observation. In competition, the true conditions appear distorted compared to capital in general. Individual capitals strive to produce commodities as cheaply as possible – to reduce cost prices and maximise productivity, so that their own products contain as little labour as possible. Total capital on the contrary wants to accumulate and create as much value and surplus-value as possible. This implies that one cannot just generalise the interests of individual capitals to understand the tendencies of total capital.

When living labour is substituted with machines, constant capital, c , increases in relation to variable capital, v . This means that the organic composition grows, as expressed by the value-composition, c/v . Since only living labour creates surplus-value, this indicates that there is relatively less labour (corresponding to v) that produces surplus-value for a relatively larger amount of capital ($c + v$). If organic composition grows too much, in too many branches, without production volumes expanding at the same pace, there will be too little surplus-value for capitalists to share. The total mass of surplus-value is to be measured against the larger capital sum, $c + v$, which means that the rate of profit, $s/(c + v)$, shrinks. Each invested amount gives less and less in return as profit. Through the laws of competition, individual capitalists are struck by this falling rate of profit as by an external, objective societal law that threatens their foremost interests: to get as much profit out of their capital investments as possible. This is when *crisis* is imminent. The tendency of the rate of profit to fall is the core in Marx's theory of crisis, since it at this level of abstraction most clearly expresses the self-destructing inner contradictions of capitalism.

The significance of accumulation for total capital is that its total value, $c + v + s$, grows. This is the result of valorisation and the transformation of surplus-value into capital. At the same time, $v + s$ does not grow indefinitely. This sum is the annually produced new value, which is determined by the amount of labour engaged in capitalist production that year. When the production of absolute surplus-value soon reached its limits, capital had to switch to methods of relative surplus-value production, where the *same* number of workers produce *more* surplus-value. At the same time as $v + s$ is thus fairly stable, or in any case cannot grow unboundedly, capital lets s grow and v fall.

However, accumulation knows no absolute boundaries: $c + v + s$ grows incessantly. In the formula of the rate of profit, $s/(c + v)$, s thus grows towards the relatively stable value, $v + s$, v falls towards nil, while c grows without any absolute limit. Taken together, these trends give the rate of profit a tendency to fall, as the 'gradual growth in the constant capital, in relation to the variable, must necessarily result in a *gradual fall in the general rate of profit*, given that the rate of surplus-value, or the level of exploitation of labour by capital, remains the same'.²

This tendency is even stronger the further capitalism has developed, since, if the rate of surplus value is already quite high, and constant capital rather big, then s is already close to its upper, almost constant limit, $v + s$, while c is considerably greater than v . This implies that for instance changes in the relation between surplus-value and wages (i.e. the rate of surplus-value, s/v) will be increasingly less able to put a brake on the fall of the rate of profit. 'The progressive tendency for the general rate of profit to fall is thus simply *the expression, peculiar to the capitalist mode of production*, of the progressive development of the social productivity of labour'.³

Looking back at the shoe branch, it may be assumed that most shoes are used by workers. This means that the reduction of shoe value from £120 to £90 brings about a corresponding reduction in the value of labour-power. As a result, the rate of surplus-value increases, so that the degree of exploitation grows in all society. The development of productive forces, when living labour is substituted with dead labour in the shape of machines, thus results *both* in an increasing rate of surplus-value (increased exploitation through the production of relative surplus-value via the mechanism of extra surplus-value) *and* in a decreasing rate of profit (through the increased organic composition and the process of capital accumulation). A diminishing portion of the total capital is converted into living labour, even though the ratio between the unpaid and paid parts of the labour applied may grow. This faster growth of constant capital than of variable capital, though both may well increase in absolute terms, implies an increased productivity of labour.⁴ Precisely capital's incessant chase for a higher degree of exploitation diminishes the rate of profit and thus limits its own expansion.

Thus the same development in the social productivity of labour is expressed, with the advance of the capitalist mode of production, on the one hand in a progressive tendency for the rate of profit to fall and on the other in a constant growth in the absolute mass of the surplus-value or profit appropriated; so that, by and large, the relative decline in the variable capital and profit goes together with an absolute increase in both.⁵

This is yet another clear example of how the progressive subsumption under capital of the production process and by extension of widening areas of society and life gives rise to sharpening contradictions and conflicts. This is a continuation of the inner contradiction between value and use-value in simple commodity production. The capitalist crisis is a violent expression of the sharpening of this contradiction at this new level of abstraction.

Crises are never more than momentary, violent solutions for the existing contradictions, violent eruptions that re-establish the disturbed balance for the time being.

To express this contradiction in the most general terms, it consists in the fact that the capitalist mode of production tends towards an absolute development of the productive forces irrespective of value and the

surplus-value this contains, and even irrespective of the social relations within which capitalist production takes place; while on the other hand its purpose is to maintain the existing capital value and to valorize it to the utmost extent possible (i.e. an ever accelerated increase in this value).⁶

It is ironic that it is precisely the tools that capitalism uses to overcome its own immanent barriers that reproduce these same barriers on an even larger and more disastrous scale:

Capitalist production constantly strives to overcome these immanent barriers, but it overcomes them only by means that set up the barriers afresh and on a more powerful scale.

The *true barrier* to capitalist production is *capital itself*. It is that capital and its self-valorization appear as the starting and finishing point, as the motive and purpose of production; production is production only for *capital*, and not the reverse, i.e. the means of production are not simply means for a steadily expanding pattern of life for the *society* of the producers. [...] The means – the unrestricted development of the forces of social production – comes into persistent conflict with the restricted end, the valorization of the existing capital. If the capitalist mode of production is therefore a historical means for developing the material powers of production and for creating a corresponding world market, it is at the same time the constant contradiction between this historical task and the social relations of production corresponding to it.⁷

The falling tendency of the rate of profit was discovered by bourgeois economists before Marx, in particular by David Ricardo. Marx integrated it into his theory of capital, giving it a more comprehensive explanation and drawing more radical conclusions from it. In his typical rhetorical style, Marx spells out the paradoxical consequences of the law of the falling rate of profit:

But the contradiction in this capitalist mode of production consists precisely in its tendency towards the absolute development of productive *forces* that come into continuous conflict with the specific *conditions* of production in which capital moves, and can alone move.

It is not that too many means of subsistence are produced in relation to the existing population. On the contrary. Too little is produced to satisfy the mass of the population in an adequate and humane way.

Nor are there too many means of production produced to employ the potential working population. On the contrary. What is produced is firstly too great a section of the population which is in fact incapable of work, which owing to its situation is dependent on the exploitation of the labour of others or on kinds of work that can only count as such within a miserable mode of production. Secondly, not enough means of production are produced to allow the whole potential working population to work under the

most productive conditions, so that their absolute labour-time is curtailed by the mass and effectiveness of the constant capital applied during this labour-time.

Periodically, however, too much is produced in the way of means of labour and means of subsistence, too much to function as means for exploiting the workers at a given rate of profit. Too many commodities are produced for the value contained in them, and the surplus-value included in this value, to be realized under the conditions of distribution given by capitalist production, and to be transformed back into new capital, i.e. it is impossible to accomplish this process without ever-recurrent explosions.

It is not that too much wealth is produced. But from time to time, too much wealth is produced in its capitalist, antagonistic forms.

The barriers to the capitalist mode of production show themselves as follows:

- (1) in the way that the development of labour productivity involves a law, in the form of the falling rate of profit, that at a certain point confronts this development itself in a most hostile way and has constantly to be overcome by way of crises;
- (2) in the way that it is the appropriation of unpaid labour, and the proportion between this unpaid labour and objectified labour in general – to put it in capitalist terms, profit and the proportion between this profit and the capital applied, i.e. a certain rate of profit – it is this that determines the expansion or contraction of production, instead of the proportion between production and social needs, the needs of socially developed human beings. Barriers to production, therefore, arise already at a level of expansion which appears completely inadequate from the other standpoint. Production comes to a standstill not at the point where needs are satisfied, but rather where the production and realization of profit impose this.⁸

Once again, Marx hints at how the inner laws of capitalist production pave the way for another kind of society:

It is the rate of profit that is the driving force in capitalist production, and nothing is produced save what can be produced at a profit. [...] The development of the productive forces of social labour is capital's historic mission and justification. For that very reason, it unwittingly creates the material conditions for a higher form of production.⁹

Counteracting factors

Many have for shifting reasons questioned Marx's diagnosis of the fall of the rate of profit, and one may indeed spend considerable time in checking his calculations and constructing rival models of the development of this rate. When profit was introduced in the previous chapter, the division of fixed and

fluid capital was for instance deliberately disregarded. Critics of Marx have argued that, if one does so, and thus assumes that the whole constant capital has a turnover time of one year, then the falling rate of profit cannot be proven anymore. Others have then replied that this fall can still be maintained, if one instead calculates the rate of profit in relation to the whole constant capital, so that c not only consists of the portion of the value of the machinery that is worn down during the year, but the value of the *whole* machinery, and the difference between fixed and fluid capital is thereby disregarded. In some sense, this sounds reasonable, since the differences in organic composition between branches – differences that the average rate of profit is supposed to compensate for – are particularly marked if one takes into consideration the varying amount of fixed capital. Such detailed calculation problems will not be further analysed here.

Even for Marx himself, while the tendency of the rate of profit to fall is a fundamental trend, it does not always openly manifest itself. It has been suggested either that Marx was simply wrong in positing a falling rate of profit, or that Engels falsely believed that this tendency could fully explain capitalist crises, and Marx's own crisis analysis was actually more tentative.¹⁰ He certainly did acknowledge that the accumulation process induces a number of *counteracting factors* that can momentarily check or even for a while halt this fall.

The two most important counteracting factors consist of the increase in the rate of surplus-value and the cheapening of the elements of constant capital. With new machinery the average productivity of labour increases. This means that both articles for consumption and means of production diminish in value. Paradoxically, both the main counteracting factors seem to derive from the same source that caused the rate of profit to fall in the first place: 'the same factors that produce the tendency for the rate of profit to fall also moderate the realization of this tendency'.¹¹ How can this be explained?

Capitalists can buy their means of production (raw materials and machines) cheaper than before the innovation. They can also pay their workers less, measured in value units, since the workers for a lower wage can buy at least as many consumer goods as before.

A note on wages and the degree of exploitation is perhaps needed here. Everyday experience indicates that wages mostly move upwards. Even if inflation is taken account of, so-called real wages seem to rise together with the accumulation of capital. This does not contradict the argument that the degree of exploitation increases. Even if wages grow in terms of money, and even if they also grow as measured by how many other commodities they correspond to, they do fall in value. This is because the development of productive forces diminishes the values of all commodities. From nylon stockings to computers: most ordinary commodities can now be produced much cheaper (with less labour time) than before. This makes the proportion of wages in the value of a society's total product shrink, even though the wage-labourer can buy more use-values.

The value of labour-power as well as of means of production thus tend to fall, which diminishes both v and c in the denominator of the rate of profit,

$s/(c + v)$, so that it tends to rise rather than fall! According to Marx, these counteracting factors do not contradict the general law, since they can only momentarily arrest the fall of the rate of profit. Even if the value of labour-power sinks, this v cannot be indefinitely diminished. The working class continues to struggle for better wages and working conditions, and it is the relative strength of the classes that in this struggle determines how much the first counteracting factor can achieve. In any case, v can never fall to nil, and the less v becomes in relation to c , the less dampening effect does the growth of the degree of exploitation have on the fall of the rate of profit.

Looking at the other counteracting factor, the elements of constant capital, c , can certainly sometimes become cheaper through the rise of labour productivity. Still, the whole mass of means of production must in the long run grow in value, since this is the inherent meaning of accumulation. Only for some individual capitals in certain periods can the counteracting factors balance the falling rate of profit. Yet, these counteracting factors do cause confusion, if they are enlarged from local phenomena to general capitalist laws. If $c + v$ really were to diminish continuously in all society, then this would imply that the accumulation of capital had been halted and reversed, that valorisation had turned into a steady value reduction of the total capital and that surplus-values created were not reinvested and transformed into productive capital. This is clearly not the case, and it is precisely because capital is accumulated that the falling tendency of the rate of profit will in the long run break through.

There are also other counteracting factors. One is the *cutting down of wages below the value of labour-power*, but this is only possible for brief periods, if the survival of the working class and thus of capitalism is not to be threatened. Another is the *relative overpopulation* that raises the rate of profit for some branches by giving access to cheap labour-power, but this again cannot be possible for the whole total capital in the long run. A third example is *foreign trade*. The international division of labour makes both means of production and consumer goods cheaper. As long as the capitalist mode of production still had a limited spread across the globe, it could in various way exploit pre-capitalist economies on its fringes for its own expansion and hunt for profits. This chance of circumventing the fall of the rate of profit likewise has its limits, when – through colonialism, imperialism and the post-colonial world order – all geographic boundaries have been transgressed and capitalism is established everywhere, installing those capitalist relations of production that, now on a global scale, make the rate of profit fall.

In *Capital* as well as its predecessor *Grundrisse*, Marx does not hesitate to name this law ‘in every respect the most important law of modern political economy’, as it makes clear ‘that the development of the productive forces brought about by the historical development of capital itself, when it reaches a certain point, suspends the self-realization of capital, instead of positing it’:

Beyond a certain point, the development of the powers of production becomes a barrier for capital; hence the capital relation a barrier for the

development of the productive powers of labour. When it has reached this point, capital, i.e. wage labour, enters into the same relation towards the development of social wealth and of the forces of production as the guild system, serfdom, slavery, and is necessarily stripped off as a fetter. The last form of servitude assumed by human activity, that of wage labour on one side, capital on the other, is thereby cast off like a skin, and this casting-off itself is the result of the mode of production corresponding to capital; the material and mental conditions of the negation of wage labour and of capital, themselves already the negation of earlier forms of unfree social production, are themselves results of its production process. The growing incompatibility between the productive development of society and its hitherto existing relations of production expresses itself in bitter contradictions, crises, spasms. The violent destruction of capital not by relations external to it, but rather as a condition of its self-preservation, is the most striking form in which advice is given it to be gone and to give room to a higher state of social production.¹²

Causes of crises

The whole of *Capital* has shown how crisis is built into every fibre of capital. We have traced the transformations of inner contradiction through the levels of abstraction and reached the law of the tendency of the rate of profit to fall as the most acute and summarising expression of the self-destructive character of these contradictions. It is therefore now time to give an overall picture of the crisis: its origins, its course of events and its effects.

Already, several risky moments in capital accumulation have been mentioned. These moments *may* lead to (or aggravate) crises. Buying is divorced from selling, the reproductive circuits of capital poses certain demands of balance, etc. All these factors are important and potentially dangerous for the reproduction of capitalism, making crises always *possible*. But it is the fall of the rate of profit that makes crises *necessary* or unavoidable under capitalism.

To Marx, capitalist crises have their roots in a kind of 'over-accumulation of capital'.¹³ Capital grows so much that the ensuing fall in the rate of profit undermines its chances to find sufficiently profitable investment opportunities for the surplus its workers produces.

This gives rise to large unsellable stocks of commodities and increased money speculation, where money capital floats around without finding sufficiently productive activities to be invested in. At the same time, unemployment grows, and the balance between different branches and sectors of society is torn apart. *Overproduction* and *disproportionality* are early surface forms of appearance of the crisis. If there is temporary overproduction or disproportionality by other reasons, this can also trigger off the crisis tendencies that are latently imminent in capitalist production.

Many theories instead identify overproduction or imbalances as the basic cause of the capitalist crisis. This mirrors the distortion that the movements of

capital give rise to: that competition turns relations upside down. Some may for instance argue that the basic problem of capitalism is that it limitlessly expands production but simultaneously limits the consumption of workers. Since wage-labourers can then only buy a decreasing fraction of the commodity they produce, the result is overproduction. However, the fewer consumer goods workers buy, the more means of consumption and means of production can the capitalists afford. The more surplus created, the more the capitalist uses and invests. In this situation, accumulation may as well be accelerated. The essential cause of crisis is therefore not the incongruity between supply and demand for commodities, but in the fact that capital continuously impairs the conditions for its own valorisation.

Explaining the crisis as caused by an imbalance between sectors is also to misinterpret an effect as a cause. In the discussion of the circulation process above, it was shown that there are lots of opportunities for disproportion. Such disturbances occur repeatedly. But the reproduction process of capital survives in spite of them, as the mechanisms of competition correct such imbalances and re-establish a new state of equilibrium. The capitalist crisis is at its core much more serious for the whole system than any such issue of proportion.

Explaining the crisis according to theories of overproduction or disproportion tends to be linked to viewing only one aspect of socialism: that the chaotic anarchy of capitalism is replaced with a rational plan economy. This was a perspective that dominated the Marxism-Leninism of East Europe and the Soviet Union during the Cold War era. Such theories tend to forget essential other aspects of socialism such as human emancipation. This may explain why crisis theories have been so much discussed through the decades from Marx's own time until today.

Two more problematic explanations of the crisis may be briefly mentioned. It is sometimes argued that the crisis is a result of workers having too high wages. The argument is then that 'we live above our resources'. However, holding back wages would in reality only temporarily alleviate the distress of capital. Within a short time, the rate of profit would continue to fall. In fact, the more that accumulation proceeds, the less influence the size of wages has on the rate of profit. Even some Leftist explanations tend to put too much emphasis on wage struggle as a factor behind the crisis. There are certain connections between them, but the wage level is only one of several factors behind the overaccumulation of capital.

Another crisis explanation points at the external boundaries of capital. It is here argued that the expansion of capital encounters absolute limits in external nature, in the limited area of the earth, the limited amount of existing raw materials such as oil, etc. Such crisis theories fall back on regarding the crisis as caused by a kind of outer conflict between the process of capital accumulation and its natural foundations and contexts. Against this view, it may (with Marx) also be argued that such collisions between the logic of capital and that of nature are but a partial aspect of the inherent crisis within capital itself. For those individual capitals and branches that first encounter symptoms of crisis,

the limits of nature may often appear as the immediate cause of crisis. Marx polemicised against his bourgeois predecessor David Ricardo, who held such a view. But Marx instead firmly argued that capital is its own most decisive limit, and that crisis evolves from the logic of capital itself.

Thus economists like Ricardo, who take the capitalist mode of production as an absolute, feel here that this mode of production creates a barrier for itself and seek the source of this barrier not in production but rather in nature (in the theory of rent). The important thing in their horror at the falling rate of profit is the feeling that the capitalist mode of production comes up against a barrier to the development of the productive forces which has nothing to do with the production of wealth as such; but this characteristic barrier in fact testifies to the restrictiveness and the solely historical and transitory character of the capitalist mode of production; it bears witness that this is not an absolute mode of production for the production of wealth but actually comes into conflict at a certain stage with the latter's further development.¹⁴

There are plenty of different readings of Marx's crisis theory. This companion stands close to his own ideas, by stressing that it is the falling rate of profit that causes crises, and that capitalist crisis is therefore an overaccumulation crisis. Just to give one example of other interpretations, one Marxist theoretician who suggested another solution is Ernest Mandel.¹⁵ In his view, the fundamental capitalist contradictions give rise to a series of different contradictions, each of which can contribute to a crisis. In his opinion, all fundamental variables in the capitalist mode of production can in certain periods cause crises: organic composition, the division of constant capital into fixed and fluid capital, the rate of surplus-value, the relation between the part of surplus-value accumulated and that part being spent unproductively, the turnover time, or the exchange relations between the two departments that produce means of production and articles for consumption. To Mandel, the rate of profit is more of a seismograph of the history of capitalism, which can be explained by a complex interplay between all these factors, rather than by a single law of falling profit rate. This companion to Marx's *Capital* has followed Marx more closely, letting the falling rate of profit be the dominant motor behind the crises of capitalism.¹⁶

The crisis cycle

Economic crises have recurred on a regular basis since capitalism was once established as dominant mode of production. Since the early nineteenth century, such crises return periodically. The law of the falling rate of profit indicates that it is not a matter of arbitrary disturbances, but of deep inner contradictions in this system of production.

The crisis is in many ways an absurd and tragic phenomenon. Thousands and today millions of workers lose their jobs, and thousands and millions of tons of

unsold commodities rot away in warehouses, while people suffer a lack of means of subsistence. In spite of all this, workers are not employed and paid with the unsold goods, so that they could have produced things that were really badly needed. The capitalist crisis lacks any trace of human rationality, since it is caused by relations of exchange-value: by capital's hunger for surplus-value.

Marx summarised the phases of each crisis in Volume I: 'The life of industry becomes a series of periods of moderate activity, prosperity, over-production, crisis and stagnation'.¹⁷ On the basis of the more detailed analysis in Volume III, this cyclical process can now be elaborated.

Before a crisis, there has generally been a profitable period of fast capital accumulation. There is plenty of labour-power, wages are relatively low and the rate of surplus-value is therefore high. Organic composition is still relatively low, since accumulation has not yet gathered large values of constant capital after the destruction of capital in the previous crisis. The surplus-value produced is therefore to be distributed across a relatively humble amount of invested capital. This makes the rate of profit high, and capitalists can appropriate large profits that are immediately reinvested in new profitable production.

Since labour-power is still rather cheap, and there are plenty of unemployed workers as well as free investment areas, capitalists are not particularly interested in acquiring labour-saving machinery. Instead, capital accumulation will predominantly be *extensive*, in the form of a quantitative extension of production on the basis of those methods that were available at the start of the cycle, immediately after the last crisis ended. This means that the production of *absolute* surplus-value dominates.

New labour-power is pulled into production at roughly the same high speed as that of capital accumulation. This will soon diminish unemployment. The industrial reserve army is also pulled into production: people move from rural farming to urban industry, home-working women start (or increase their share of) wage-labouring and foreign guest workers are imported. After a while, there appears a shortage of labour-power. This tends to raise wages, as capitalists compete with each other over labour-power and trade unions can make use of this advantageous situation to force through their wage demands.

The more expensive labour-power becomes, and the more the opportunities for producing absolute surplus-value and extensive growth are exhausted, the more advantageous it becomes for capitalists to invest in labour-saving machinery. Capital accumulation becomes more and more *intensive*, as the methods of *relative* surplus-value production get more important. Instead of just a quantitative extension of production, the development of productive forces is emphasised, with the installation of new technology and more efficient methods of production (rationalisation). Capitalists invest heavily in machines to increase productivity, while the labour force only grows slowly or even starts diminishing.

This highlights how the transition from absolute to relative surplus-value is a logical transition that can be seen on two temporal scales. On the one hand there is a long trend in the history of capitalism, from formal to real subsumption

under capital of a widening circle of societal processes. On the other hand, on a much shorter and continuously recurring scale, capital is again and again forced to move from an extensive to an intensive model of accumulation in each crisis cycle.

With this development, capital accumulation has taken a turn that will sooner or later result in a falling average rate of profit. Different counteracting factors – together with state intervention to assist capital – may temporarily slow down the breakthrough of crisis, but cannot permanently prevent it.

The fall in the rate of profit starts to be felt when there is still a boom going on, with steady growth and excellent market potential for the goods. But capital has no use of strong demand if the sales of commodities do not give sufficient profits. The capitalists start hesitating to invest, searching increasingly impatiently for more profitable investment objects. Loans may momentarily cover up the problems, but sooner or later there must be a fall in investments and therefore also in the demand for means of production. This is the first safe sign that the fall in the rate of profit is on its way to turning into actual crisis.

The weakening of the sector for producing means of production (department I) leads to retrenchment of production in that sector. Firms are closing down and unemployment starts rising, which in turn make the weakening tendencies spread to the sector for producing means of consumption (department II). At this moment, crisis spreads like circles on water and, for each retrenchment, the total demand for commodities diminishes. During the previous boom, commodity prices increased, as demand was greater than supply, not least in the sector for means of production. As crisis comes to the surface, demand instead diminishes, and it becomes increasingly hard to sell anything at its true value. The crisis therefore appears as an overproduction of commodities, though it is essentially rather an underproduction of surplus-value due to a too low rate of profit.

At its peak, the crisis is characterised by high unemployment figures together with stagnation or direct recession in production. Lots of firms close down, so that individual capitals vanish. But this phase already carries the germs of a new economic recovery. The many crashing firms (including their stock of fixed and fluid capital) have to be sold at far below their values. When the crisis has petered out, the new capital owners can thereby restart production under far more profitable conditions, since the cheap acquisitions of firms result in a lowering of the value-composition of capital. The constant capital's share of new investments diminishes, and the rate of profit can again be increased. The devaluation and 'destruction of value and capital which takes place in a crisis coincides with – or means the same thing as – a general growth of the *productive forces*'.¹⁸

There is simultaneously a strong *centralisation* of capital, as the largest and strongest combines take over smaller firms that are hit by crisis. This creates rationalisation advantages and a more efficient planning of production. Some of the least profitable companies eventually perish totally: they are expelled from the ranks of capitals, and their market shares are taken over by more profitable capitals.

The sum of these effects is that the value of constant capital diminishes through an enormous destruction of capital, with closed factories and rusting machines. At the same time, the crisis also puts the working class under hard pressure. Increasing unemployment arrests wage increases and limits the workers' capacities for class action. It is for instance considerably less meaningful to strike if there is an imminent threat of closing down. In the workplaces, sharper methods are used to increase the tempo of labour and to increase exploitation by any available means. Capitalist representatives are tougher in negotiations, talking about responsibility and moderation. Trade unions tend to accept such demands, since the crisis is after all a brutal fact, not a mere ideological trick. The threat of unemployment effectively hampers the militancy of reformist workers.

Irrespective of which party rules the government and parliament, the capitalist state is forced to take action to try and stabilise the economy and recreate expansive capitalist production. A series of operations cuts down welfare and limits the span of action available to working-class struggle, in order for capital to again become profitable. In this way, capital is strengthened so as to be able to make those investments needed to overcome crisis. State action is driven forward by a combination of capitalist lobbyists and the needs of the state itself to clean up its own finances and keep the wheels turning.

A series of concentrated attacks on working-class interests gives rise to varying degrees of success in resistance. The efficiency of this resistance depends on how conscious, experienced, organised and brave the working class is. If the workers succeed in their defence struggle, a serious economic and political weakening of the working class may be fought back. But the interests of capital are often so strong that most crises go through their 'natural' process, which sharpens exploitation and paves the ground for yet another economic recovery and boom.

These political-economic mechanisms, triggered by the crisis, illustrate how the capitalist crisis tends to have a kind of '*purifying effect*', by removing the barriers to accumulation and a renewed increase in the rate of profit that initiated the crisis. Constant as well as variable capital is radically diminished by an apparently meaningless destruction of capital and impairments in the life conditions of the working class. The longer this effect is postponed, and the more extended the previous boom has been, the stronger barriers against continued accumulation have been built up, and the deeper must the crisis be to enable a new recovery and boom.

The breakdown of capitalism

In the chapter on the circulation of capital, it was shown that the turnover time of fixed capital contributes to the determination of the length of the crisis cycle. It is now possible to understand why a capitalist economy is not characterised by steady and gradual growth, but oscillates cyclically between phases of crisis and expansion. The purifying effect of crisis is only temporary and, in the next phase, the falling tendency of the rate of profit will again be notable.

However, each new recovery does not begin from the same level as the previous one. Profit chances improve, but the cyclical movement is no simple circle, but rather a spiral movement, where each new recovery starts from a higher level of accumulating capital than that before. The fall in the rate of profit is therefore more and more fatal to capitalism, at the same time as the external limits for its development in terms of nature and human life itself are also under increasing threat. One cannot predict which crisis will be the final grave of capitalism, but the capitalist mode of production cannot persist and expand endlessly. What will be the ultimate result of the development of capitalist crises is never a purely economic issue, but depends on the ability of the working class to defend itself and life on earth against the atrocities of capital and to create new and better forms of production and social life.

Each cycle of accumulation and crisis has its historical peculiarities that must be investigated for each time, country and branch, but the basic mechanisms are always recognisable. It is often easier to collectively break through the various fetish forms of capital in periods of crisis, where the material magic of commodities, money and capital seem to fail and internal contradictions come to the fore. The devaluation of the conditions for the working class can lead to radicalising class conflicts, but this is no automatic result. With experiences of organisation and struggle mediated across generations, regions and branches through innovative forms of public communication, interaction and co-operation, there is a chance to take steps towards another kind of future. But the economic crisis can also demoralise and weaken trade unions, and it is in deep crisis that fascist and authoritarian regimes can also seize power, as happened after the catastrophic world crisis in the late 1920s. The societal effects of crises are thus not determined solely by economic trends but equally by political struggle and organisation.

Each crisis (re)creates possibilities for solving its problems on capitalist terms. Unprofitable capitals are erased and the positions of the working class are pushed back. If this succeeds, the crisis has a purifying effect and capitalism can once again enter a new phase of expansion on a higher level ... until the next crisis arrives.

The accumulation of capital develops the *productive forces* of society that create the conditions of undreamt-of possibilities for human emancipation. These possibilities cannot be realised in capitalist forms. Instead, *destructive forces* develop. The alternatives, socialism or barbarism, feel equally valid today as in Marx's time. At the end of his discussion of the falling rate of profit, Marx summed up the ambivalences he found in the capitalist mode of production.

Three cardinal facts about capitalist production:

- (1) The concentration of the means of production in a few hands, which means that they cease to appear as the property of the immediate workers and are transformed on the contrary into social powers of production. Even if this is at first as the private property of capitalists.

The latter are trustees of bourgeois society, though they pocket all the fruits of this trusteeship.

- (2) The organisation of labour itself as social labour: through cooperation, division of labour and the association of labour with natural science.

On both these counts the capitalist mode of production abolishes private property and private labour, even if in antithetical forms.

- (3) Establishment of the world market.

The tremendous productive power, in proportion to the population, which is developed within the capitalist mode of production, and – even if not to the same degree – the growth in capital values (not only in their material substratum), these growing far more quickly than the population, contradicts the basis on behalf of which this immense productive power operates, since this basis becomes ever narrower in relation to the growth of wealth; and it also contradicts the conditions of valorization of this swelling capital. Hence crises.¹⁹

It is characteristic that the catastrophic potentials of capitalism appear in conjunction with its equally emphasised ‘civilising influence’. In a passage of *Grundrisse*, Marx again made this clear, by seeing the ‘expansion of needs’ caused by accumulation not at all just as a negative creation of any allegedly ‘false needs’, but on the contrary as elements of a potential emancipation and enrichment of human life, while always remaining aware of how much this potentiality is again and again compromised and limited by capitalism’s destructive side.

Thus, just as production founded on capital creates universal industriousness on one side – i.e. surplus labour, value-creating labour – so does it create on the other side a system of general exploitation of the natural and human qualities, a system of general utility, utilizing science itself just as much as all the physical and mental qualities, while there appears nothing *higher in itself*, nothing legitimate for itself, outside this circle of social production and exchange. Thus capital creates the bourgeois society, and the universal appropriation of nature as well as of the social bond itself by the members of society. Hence the great civilizing influence of capital; its production of a stage of society in comparison to which all earlier ones appear as mere *local developments* of humanity and as *nature-idolatry*. For the first time, nature becomes purely an object for humankind, purely a matter of utility; ceases to be recognized as a power for itself; and the theoretical discovery of its autonomous laws appears merely as a ruse so as to subjugate it under human needs, whether as an object of consumption or as a means of production. In accord with this tendency, capital drives beyond national barriers and prejudices as much as beyond nature worship, as well as all traditional, confined, complacent, encrusted satisfactions of present needs, and reproductions of old ways of life. It is destructive towards all of this, and constantly revolutionizes it, tearing down all the barriers which hem in

the development of the forces of production, the expansion of needs, the all-sided development of production, and the exploitation and exchange of natural and mental forces.

But from the fact that capital posits every such limit as a barrier and hence gets *ideally* beyond it, it does not by any means follow that it has *really* overcome it and, since every such barrier contradicts its character, its production moves in contradictions which are constantly overcome but just as constantly posited. Furthermore. The universality towards which it irresistibly strives encounters barriers in its own nature, which will, at a certain stage of its development, allow it to be recognized as being itself the greatest barrier to this tendency, and hence will drive towards its own suspension.²⁰

Notes

- 1 *Capital I*: 638 (Chapter 15).
- 2 *Capital III*: 318 (Chapter 13).
- 3 *Capital III*: 319 (Chapter 13).
- 4 *Capital III*: 322 (Chapter 13).
- 5 *Capital III*: 329 (Chapter 13).
- 6 *Capital III*: 357–358 (Chapter 15).
- 7 *Capital III*: 358–359 (Chapter 15).
- 8 *Capital III*: 366–367 (Chapter 15).
- 9 *Capital III*: 368 (Chapter 15).
- 10 Heinrich (2004: 152–153 and 2011: 186).
- 11 *Capital III*: 343 (Chapter 14).
- 12 *Grundrisse*: 749–750.
- 13 *Capital III*: 359 (Chapter 15).
- 14 *Capital III*: 350 (Chapter 15).
- 15 Mandel (1975/1980: end of Chapter 1).
- 16 In this, it is more similar to Grossmann (1929/1992); Mattick (1971/1980, 2011); and Yaffe (1972).
- 17 *Capital I*: 580 (Chapter 15).
- 18 *Grundrisse*: 446.
- 19 *Capital III*: 375 (Chapter 15).
- 20 *Grundrisse*: 409–410.

13 Trade, banks and land

The next section of *Capital III* deals with the further transformations of values induced by yet another set of exploiters who enter the stage with irresistible demands for surplus-value, based on their contribution of specific resources and services to capitalist production and circulation. First, Part 4 (Chapters 16–20) links back to the forms of commodity capital and money capital and shows how in fully developed capitalism they are transformed into the independent capital forms of trade and commercial capital, which also gets its share of profits through mechanisms of transference that in new ways modify values and prices. Part 5 (Chapter 21–36) then analyses interest-bearing capital, credit and banks in a similar manner. Finally, in Part 6 (Chapter 37–47), the focus is on landowning, monopolised natural resources and ‘ground-rent’.

Commercial capital

By a division of responsibility between capitalists, specific capitals shoulder the task of filling the functions of capital in the sphere of circulation. Commodity capital becomes merchant’s capital or *commercial capital*. A specific capitalist specialises in the purchase and sale of commodities, and takes on the corresponding costs in labour and means of production – the circulation costs related to book-keeping, storage, marketing, etc. This turns out to be profitable for the other capitalists who need not bother to take care of the whole chain from production to consumers. Savings are made by specialisation and large-scale operation, as usual.

Commercial capital has no will to do all this for free. Its costs must be covered by the surplus-value produced by industrial capital. It has been shown above that trade produces no value but is still necessary to realise the value created in commodity production. This is true for trade in the strict commercial sense, i.e. the activity of exchange in the circulation process of capital. Trading sometimes also involves transportation across geographic distances, but that activity is not what Marx discusses here. (In an earlier passage, dealing with productive labour, it was shown that transport is generally a productive labour in the sense of producing value and surplus-value as it, according to Marx, belongs to the extended production process, which does not end until commodities are

handed over to the market and are ready for purchase by the final consumer. What concerns us at this stage is thus not the long-distance material transport that merchants also often organise, but the way in which they organise the economic exchange of commodities.) The expenses of commercial capitalists in wages and means of production must be compensated for, and these capitalists must also be able to count on the average rate of profit. Otherwise, no capitalist would be willing to invest his capital in such activities instead of running a productive industry.

These capitalists must thus also through some kind of redistribution get their share of surplus-value created elsewhere. They buy commodities slightly under their true (market) values and sell them to consumers at their actual (market) values, keeping the difference as *commercial profit*. In this way, surplus-value is transferred from industrial capital to commercial capital, until both reach approximately the same average rate of profit.

Commercial capital [...] creates neither value nor surplus-value, but simply facilitates their realization, and with this also the actual exchange of the commodities, their transfer from one hand to another, society's metabolic process. And yet, since the circulation phase of industrial capital forms just as much a phase in the reproduction process as production does, the capital that functions independently in the circulation process must yield the average profit just as much as capital that functions in the various branches of production. If commercial capital were to yield a higher average profit than industrial capital, a part of industrial capital would change into commercial capital. If it yielded a lower average profit, the opposite process would take place.¹

On the surface, it may seem as if the merchants add an increment on top of prices, above the values of the commodities in question. But this is again an example of how appearances are deceptive. An example illustrates how the process works.

Assume that the annually invested total industrial capital is $720c + 180v = 900$ (in some relevant value unit), and that the rate of surplus-value is 100 per cent. The total commodity product then has a value of $720c + 180v + 180s = 1080$, and the rate of profit is 20 per cent. Assume that there is also an additional commercial capital of 100, which is also entitled to a share of the total profits, without contributing any new value of its own. The total capital of society is thus $900 + 100 = 1000$, of which the commercial capital is $1/10$, and is entitled to $1/10$ of the total surplus-value of $180s$, i.e. $18s$, so that its rate of profit is $18/100 = 18\%$. The industrial capitals that constitute the remaining $9/10$ of the total capital then have only $9/10$ of the surplus-value to share among themselves, which results in their rate of profit being $(180 - 18)/900 = 162/900 = 18\%$ again, so that the average rate of profit remains valid for all of society. The commodity product is therefore sold to the commercial capital for a total of $720c + 180v + 162s = 1062$. The merchant then appears to add an increment of 18 per cent on his invested

capital of 100 and sells the goods for $1062 + 18 = 1080$, which is the total societal value of this annual commodity product. This mechanism does not result from any deliberate planning or negotiation among capitalists, but is the result of free competition between individual capitals on the market.

The production price – which for the total commodity product of a society coincides with the total values of the same commodities – remains the cost price, $c + v$, plus the average rate of profit. But this average rate of profit is now differently determined than before. The same produced amount of surplus-value is now divided by the total productive capital plus the commercial capital, no longer just by the industrial capital alone. The average rate of profit is in this example thus:

$$\frac{180}{900 + 100} = 18\%$$

The production price now equals cost price + 18 per cent, instead of cost price + 20 per cent, as before. The true production prices of commodities (or in the whole society: the commodity values) instead equal cost price + industrial profit + commercial profit.

This implies that industrial profit is now less than real profit. This is yet another veiling of the real size and scale of exploitation, and the profits of commercial capital also veil the origin and source of profits, since it now appears as if circulation itself can create value and surplus-value, when commodity values seem to grow in the hands of commercial capital.

How about the wage-labourers employed by the commercial capitalist? They also perform unpaid surplus labour for their capitalist. But this unpaid labour produces no surplus-value, since it does not create any value whatsoever. It just allows the commercial capitalist to appropriate a share of the surplus-value produced by the workers of other capitalists involved in the production process of industrial capital. The capitalist doesn't mind, as the unpaid labour in any case appears as the key to profit. 'Just as the unpaid labour of the worker creates surplus-value for productive capital directly, so also does the unpaid labour of the commercial employee create a share in that surplus-value for commercial capital'.²

For industrial capital, circulation costs are real costs (expenses) but, for the merchant, they instead appear as the source of his profit. For the commercial capitalist, these expenses are a productive investment, and the commercial wage-labour he buys appears to him as 'directly productive', even though it is unproductive from a societal perspective.³

The role of trade

Trade and commercial capital has above been used to exemplify the difference between logic and history in Marx's presentation.

In the course of scientific analysis, the formation of the general rate of profit appears to proceed from industrial capitals and the competition between them, being only later rectified, supplemented and modified by the intervention of commercial capital. In the course of historical development, the situation is exactly the reverse. It is commercial capital which first fixes the prices of commodities more or less according to their values, and it is the sphere of circulation that mediates the reproduction process in which a general rate of profit is first formed. Commercial profit originally determines industrial profit. It is only when the capitalist mode of production has come to prevail, and the producer has himself become a merchant, that commercial profit is reduced to the aliquot share of the total surplus-value that accrues to commercial capital as an aliquot part of the total capital concerned in the process of social reproduction.⁴

Trade and commercial capital have a very different role in capitalism than before. Logically, commercial capital could not be explained until this relatively late stage of presentation, as its contemporary operations totally depend on the workings of industrial production. But, historically, merchants existed many centuries before industrial capital.

Up to now we have considered merchant's capital from the standpoint of the capitalist mode of production and within its limits. And yet not only trade, but also trading capital, is older than the capitalist mode of production, and is in fact the oldest historical mode in which capital has an independent existence.⁵

In its earlier, pre-capitalist stages, commercial capital has a parasitic relation to older modes of production. Before capitalism, circulation and production were more separated, and trade was a kind of proto-capitalist activity that mediated between pre-capitalist production and consumption of commodities. Capitalism had not yet been born as a mode of *production*. Commercial capital emerged long before industrial capital, and there was a high concentration of merchant's capital much earlier than in industrial production. But the more capitalism then developed, the less independent was merchant's capital in relation to production. 'Commercial capital, in the first instance, is simply the mediating movement between extremes it does not dominate and preconditions it does not create': 'In the stages that preceded capitalist society, it was trade that prevailed over industry; in modern society it is the reverse'.⁶

Early on, trade tended to dissolve traditional social forms. Condorcet, Immanuel Kant, David Hume, Montesquieu, Thomas Paine and Adam Smith belong to those bourgeois thinkers who identified a progressive social force in trade and markets, which seemed to promote freedom, cordiality, peace and intercultural exchange. This was known as the 'doux-commerce thesis' ('sweet trade'). Marx was not completely against this view, as he also acknowledged the eroding force of trade on pre-capitalist forms of regime. However, he also strongly stressed the reverse

side: the stark contrasts between high ideals and brute realities that challenge any idealisation of capitalist relations, while not denying that they have 'civilising functions'. It is important to note the great difference between the subversive role of commercial capital before capitalism and its much less flattering functions in developed capitalism, where it tends instead to have a conservative role. And it may also be questioned how radical this early history of trade really was:

The transition from the feudal mode of production takes place in two different ways. The producer may become a merchant and capitalist, in contrast to the agricultural natural economy and the guild-bound handicraft of medieval urban industry. This is the really revolutionary way. Alternatively, however, the merchant may take direct control of production himself. But however frequently this occurs as a historical transition [...] it cannot bring about the overthrow of the old mode of production by itself, but rather preserves and retains it as its own precondition.⁷

Early large trade capitals actually nourished themselves by feudal modes of production and parasitically drew on the feudal producers, without contributing to the breakthrough of capitalism at all as much as ideologists would have it. The big trading houses were often allied to the old royal families and aristocrats, and therefore stood in the way of the capitalist mode of production - and went under as it triumphed. Commercial capital thus made industrial capitalism possible by encouraging commodity production, creating markets for goods, circulating money and concentrating much money in few hands.

At first, trade is the precondition for the transformation of guild and rural domestic crafts into capitalist businesses, not to mention feudal agriculture. [...] As soon as manufacture becomes somewhat stronger, and still more so large-scale industry, it creates a market for itself and uses its commodities to conquer it. Trade now becomes the servant of industrial production, for which the constant expansion of the market is a condition of existence.⁸

The theoretical explanations of modern society have also been tinted by the changing historical roles of commercial capital. Early mercantilism based its models on the surface phenomena of the circulation process, which they saw as the foundation of capitalism. After all, commercial capital was the first free form of existence of capital and it certainly had a great influence in the period when feudalism transformed into capitalism. Later theories - including that of Marx - rightly took a different starting-point: 'The genuine science of modern economics begins only when theoretical discussion moves from the circulation process to the production process'.⁹

Interest-bearing capital

In similar ways as the functions of commodity capital are taken over by independent forms of commercial capital, individual capitals also emerge that specialise in

the functions of money capital. Money trade deals with the role of money in circulation and leads to the same kind of transformations of the already produced surplus-value as happened with the special forms of commodity capital. The result is interest, banks and credit.

In capitalism, money can be transformed into capital by being invested in profitable production activity. Capitalist money-owners can use it for appropriating unpaid surplus labour, surplus product and surplus-value. In this way, money gets yet another use-value in addition to those mentioned at the beginning of *Capital* Volume I: namely, to function as capital. This use-value consists of the profit that the money transformed into capital can squeeze out. As such potential capital, as means for profit production, money becomes a commodity – i.e. ‘capital becomes a commodity’.¹⁰

If the average rate of profit is 20 per cent, a smart capitalist with £100 to spend can transform this money into capital that can productively grow to £120 by being invested in an active combination of means of production and labour-power. If this smart money-owner A hands over his £100 to another person B, who really uses it as capital, he gives away the power to produce a profit of £20. For this delegation of power, A can ask for a reimbursement. If B by the end of the year perhaps pays A £5, as a share of the profit produced, this can be seen as a payment for the use-value as capital of the £100 – the function to produce £20 of profit. The profit share B thus pays to A is called *interest*. Interest is thus a name for the share of profit that the functioning capital has to hand over to the owner of the capital he activates as productive capital.

For such purposes, specific institutions emerge for the giving and taking of loans, forming a *credit system*. When analysing the circulation of capital (in *Capital* Volume II), it was mentioned that money capital by necessity is released and must be stored at various steps of the reproduction process. Through the credit system, this waiting money has now found a way to meanwhile function profitably. Dedicated money capitalists specialise in owning money and delegating the right of disposition of the money they lend to industrial capitalists.

The money capitalist and the industrial capitalist here share the profit, which is thus again divided in a similar manner as for commercial capital above. An important qualitative difference is that, here, no average rate of profit arises for both money capital and industrial capital. There is no ‘natural’ interest rate percentage – the rate of interest is instead determined from time to time by competition between these two kinds of capital. The only limitation is that it cannot normally and in principle be less than zero or higher than the rate of profit.

Looking back at the economic cycles, the interest rate is usually higher in recessions than in times of prosperity. Rising interest rates are a sign of a beginning crisis, since this is when industrialists need to borrow at almost any cost in order to pay their expenses. There is a growing need for money capital for covering the dips in industrial profit production that the falling rate of profit has given rise to.

Also, the interest rate has a long-term tendency to fall with capitalist development. This is a result of the growing power of merchants and industrialists

over money capital, due to accumulation, combined with a gradually bigger supply of money capital when societal wealth grows.

In daily life, the interest rate seems much more settled and tangible than the rate of profit, which nobody really can specify. It is the national bank that decides and announces the interest rate in the form of a minimum lending rate or official discount, which is regarded as the state's most powerful instrument of regulating industrial and economic activity in a country. If the interest rate is high in a country, money capital is attracted and, at the same time it will become more difficult to lend out money for investments. When the interest rate is low, capital flows out of the country and it becomes easier to lend money for new investments. The state and its national bank (or the corresponding supranational institutions in the case of the European Union and the European Central Bank, for instance) strive to find the level that, under given international conditions of competition, is most favourable to the total capital of the country in question. But there is no 'natural' or automatically given level for the interest rate in the way that it functions for wages or the rate of profit. This makes it possible for states and banks to manipulate the interest rate in never-ending efforts to 'improve the economy' of a country. The rate of profit, which inexorably lies behind and governs the economic development at large, is not equally visible on the surface, and there are also few who ask about it.

Interest-bearing capital is the ultimate expression of the fetish forms of capital.

In interest-bearing capital, the capital relationship reaches its most superficial and fetishized form. Here we have $M-M'$, money that produces more money, self-valorizing value, without the process that mediates the two extremes. In commercial capital, $M-C-M'$, at least the general form of the capitalistic movement is present, even though this takes place only in the circulation sphere, so that profit appears as merely profit upon alienation [*Veräußerungsprofit*, i.e. profit from selling]; but, for all that, it presents itself as the product of a social *relation*, not the product of a mere *thing*. [...]

$M-M'$. Here we have the original starting-point of capital [...], money that creates more money. This is the original and general formula for capital reduced to a meaningless abbreviation. [...] Capital appears as a mysterious and self-creating source of interest, of its own increase. The *thing* (money, commodity, value) is now already capital simply as a thing; the result of the overall reproduction process appears as a property devolving on a thing in itself [...]. In interest-bearing capital, therefore, this automatic fetish is elaborated into its pure form, self-valorizing value, money breeding money, and in this form it no longer bears any marks of its origin. The social relation is consummated in the relationship of a thing, money, to itself.¹¹

This reification continues and multiplies:

There is still a further distortion. While interest is simply one part of the profit, i.e. the surplus-value, extorted from the worker by the functioning

capitalist, it now appears conversely as if interest is the specific fruit of capital, the original thing, while profit, now transformed into the form of profit of enterprise, appears as a mere accessory and trimming added in the reproduction process. The fetish character of capital and the representation of this capital fetish is now complete. In $M-M'$ we have the irrational form of capital, the misrepresentation and objectification of the relations of production, in its highest power: the interest-bearing form, the simple form of capital, in which it is taken as logically anterior to its own reproduction process; the ability of money or a commodity to valorize its own value independently of reproduction – the capital mystification in the most flagrant form.¹²

Again the capitalist world is turned upside down by economic practices that give rise to appearances that hide the true nature of the whole system. In reality the means of production (constant capital, c) are ‘dead labour’, products of past living labour, and their value can only be passively transferred onto commodity products through the performance of new living labour. Interest-bearing capital reinforces the false illusion that all capital’s elements, not only labour-power, can create new value and surplus-value.

Interest-bearing capital, however, displays the conception of the capital fetish in its consummate form, the idea that ascribes to the accumulated product of labour, in the fixed form of money at that, the power of producing surplus-value in geometric progression by way of an inherent secret quality, as a pure automaton [...]. The product of past labour, and past labour itself, is seen as pregnant in and of itself with a portion of present or future living surplus-labour. We know however that in actual fact the preservation and thus also the reproduction of the value of products of past labour is *only* the result of their contact with living labour; and secondly, that the command that the products of past labour exercise over living surplus labour lasts only as long as the capital relation, the specific social relation in which past labour confronts living labour as independent and superior.¹³

In everyday life, it is certainly easy to get the impression that money has a natural capacity to grow: just place it in a bank! Banks not only borrow from and lend to capitalists, but also borrow from and lend to wage-labourers and other common citizens. The money of a wage-labourer is no capital, but the reason why his savings can grow in the bank is that banking capital incorporates them with its money capital and lends it to capitalist industrial operations where it is used for pressing surplus-value out of workers. In this manner, the workers are also directly pulled into this, the most extreme fetish form of capital.

This fetish effect suits bourgeois ideology perfectly, as capital here appears as the only source of wealth, and labour-power rather as a cost. Who of us ever realises that the interest in our bank accounts is a tiny transformed fragment of the surplus labour of productive workers?

The role of credit

The credit system fulfils necessary functions for capital without creating any new value. Credit is needed for evening out the rates of profit in different sectors, by enabling new investments and transferences of capital. It is also needed to diminish circulation costs, as has already been shown. With the aid of credit, capitalists can avoid superfluous criss-crossing movements of money and thereby shrink various reserve funds.

The credit system has also changed the form of money today. In a first step, gold and other precious metals were substituted with paper money in the form of banknotes and various kinds of credit certificates. These enable capital to avoid short-term circulation problems. At the same time, they do to some extent undermine the fetishism linked to coins, even though it is partly transferred onto paper money and partly overrun by the mighty fetish effect of capital in the interest form itself.

Here is also one main reason behind the long-term devaluation of the value of money: *inflation*. In order to explain inflation, some basic state functions need first to be accounted for. That is why Marx only mentions it some few times in passing, when he for instance talks of the 'overproduction, fostered by credit and the accompanying general inflation in prices'.¹⁴ One might by way of simplification say that money functions worse as a measure of value when it also has to manage a series of other functions, based in the credit system. The tendency of the rate of profit to fall is also involved in this inflation mechanism. The credit institution makes it temporarily possible for individual capitalists to act as if they could still be able to count on the same old rate of profit, even when times change and the real rate of profit falls. Credit enables them to set commodity prices according to the old, estimated level of average rate of profit. When this rate then inevitably falls, some commodities would normally remain unsold. Due to credit, the total amount of money then instead grows and the value of money falls, i.e. prices rise.

When bourgeois economists worry about inflation, this therefore mirrors their justified worry over the falling tendency of the rate of profit. Unfortunately, inflation also has a negative effect on the working class, just as all other crisis phenomena hurt workers, on whose shoulders the resulting burdens are thrown. Inflation diminishes the value of wages that are usually set in annual negotiations (or even for several years at a time) and thus makes it more expensive to live. Inflation tends to distribute the costs of crisis unfairly, at the expense of the poor, just as unemployment tends to hit the weakest first. Nowadays, inflation tends to coincide with unemployment, which signals the serious depth of late modern crises for the capitalist mode of production.

The credit system also makes stock companies possible. It allows the level of production to be drastically extended, by letting many small money capitals be gathered under one single command. This heralds more planned forms of co-operation on a bigger scale: 'This is the abolition of capital as private property within the confines of the capitalist mode of production itself'.¹⁵ At the same

time, capitalists are transformed into simple functionaries on boards of directors, while capital owners become just owners, rentiers and parasites.

Credit also enables workers to form co-operative factories inside capitalist society. This was an important aspect of Marx's political strategy:

The cooperative factories run by workers themselves are, within the old form, the first examples of the emergence of a new form, even though they naturally reproduce in all cases, in their present organization, all the defects of the existing system, and must reproduce them. But the opposition between capital and labour is abolished here, even if at first only in the form that the workers in association become their own capitalist, i.e. they use the means of production to valorize their own labour. These factories show how, at a certain stage of development of the material forces of production, and of the social forms of production corresponding to them, a new mode of production develops and is formed naturally out of the old. Without the factory system that arises from the capitalist mode of production, cooperative factories could not develop. Nor could they do so without the credit system that develops from the same mode of production. This credit system, since it forms the principal basis for the gradual transformation of capitalist private enterprises into capitalist joint-stock companies, presents in the same way the means for the gradual extension of cooperative enterprises on a more or less national scale. Capitalist joint-stock companies as much as cooperative factories should be viewed as transition forms from the capitalist mode of production to the associated one, simply that in the one case the opposition is abolished in a negative way, and in the other in a positive way.¹⁶

In other texts as well, Marx advocated the formation of co-operative labour. He by no means saw co-operatives as a sufficient tool for overthrowing capitalism and creating socialism – for this, state power must also be seized! But it was at least seen as a way to sew some germs of a new mode of production:

We acknowledge the co-operative movement as one of the transforming forces of the present society based upon class antagonism. Its great merit is to practically show, that the present pauperising, and despotic system of the *subordination of labour* to capital can be superseded by the republican and beneficent 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.¹⁷

Like so much else in capitalism, the credit system has an inherent dual character. It hastens the development of productive forces and the generation of a world market, which lays the foundations of a higher social order. Credit also makes crises worse by postponing them for a while, which again has a double effect:

‘At the same time, credit accelerates the violent outbreaks of this contradiction, crises, and with these the elements of dissolution of the old mode of production’.¹⁸ On the one hand, credit offers a strong incentive to capitalist accumulation, on the other hand, it contributes to the emergence of transitional forms pointing forward towards a new mode of production.

Interest-bearing capital, or, to describe it in its archaic form, usurer’s capital, belongs together with its twin brother, merchant’s capital, to the antediluvian [old-fashioned] forms of capital which long precede the capitalist mode of production and are to be found in the most diverse socio-economic formations.¹⁹

As an ancient form of interest-bearing capital, usurer’s capital lends money to extravagant landowners and aristocrats, as well as to small producers (artisans and peasants). It tends to ruin the former and impoverish the latter, while at the same time concentrating large amounts of money-capital. Whether it erodes or conserves the old mode of production is an open question that depends on the historical circumstances. In Europe, it tends to ‘undermine and destroy ancient and feudal wealth, and ancient and feudal property’ and also undermines and ruins self-owning small producers, thus throwing them out to become wage-labourers in the process of primitive accumulation.²⁰ ‘Where the means of production are fragmented, usury centralizes monetary wealth. It does not change the mode of production, but clings on to it like a parasite and impoverishes it’.²¹

Usury has a revolutionary effect on pre-capitalist modes of production only in so far as it destroys and dissolves the forms of ownership which provide a firm basis for the articulation of political life and whose constant reproduction in the same form is a necessity for that life. In Asiatic forms, usury can persist for a long while without leading to anything more than economic decay and political corruption. It is only where and when the other conditions for the capitalist mode of production are present that usury appears as one of the means of formation of this new mode of production, by ruining the feudal lords and petty production on the one hand, and by centralizing the conditions of labour on the other.²²

The fully developed capitalist credit system ‘develops as a reaction against usury’ and signifies ‘the subordination of interest-bearing capital to the conditions and requirements of the capitalist mode of production’.²³

The fetishising role of the interest form in our own time should not be forgotten. It disseminates false ideas that everyone has equal opportunity to become rich and happy. Banks, stock companies and fund management spread such ideologies among the working class too. ‘The more a dominant class is able to absorb the best people from the dominated classes, the more solid and dangerous is its rule’.²⁴

Landowning

A third ancient category is the *landowner* and the specific form that landowning takes in capitalism. Landowning is when certain individuals alone have the right of disposition of specific sections of the earth: soil, water or subterranean resources. 'Landed property presupposes that certain persons enjoy the monopoly of disposing of particular portions of the globe as exclusive spheres of their private will to the exclusion of all others'.²⁵ While some societies acknowledge such private ownership of land, others do not. Capitalism has its own particular way of letting landowners profit from this kind of private monopoly.

Fishing, forest industry, mining or power plants could be used for illustrating, but the standard example is provided by agriculture. In capitalist agriculture, the true farmer is a wage-labourer, hired by a capitalist who runs the farm as any industrial activity. The capitalist leases land and pays the landowner a regular sum for the right to use his lands in this way. (If the capitalist owns the lands himself, he can analytically be divided into landowner and capitalist-tenant.) This annual sum is called *ground-rent*. Ground-rent is the form through which landowning takes part in valorisation, in a similar manner to that by which the money-owner got his interest.

'We have together here, moreover, and confronting one another, all three classes that make up the framework of modern society - wage-labourer, industrial capitalist, landowner'.²⁶ The unproductive 'middle classes', often publically employed by the state, cannot be dealt with until later, after the state has been analysed, which was something Marx never managed to do in his *Capital*, and which therefore must be left aside here.

It is easy to confuse ground-rent with other land-related economic phenomena in capitalism. Agricultural workers have for instance often been pressed down beneath the societal average, which gives extra profits of another kind to agricultural capitalists. The takings of fixed capital in the form of buildings on land are also often mistaken for pure ground-rent. But ground-rent is that fee or income that derives *solely* from the right to make use of the monopolisable natural resource owned by a landowner, without him having to invest anything or perform any activity there.

It is now also easy to imagine that the land itself creates value. But ground-rent would not exist if no work was done on that land. 'All ground-rent is surplus-value, the product of surplus labour. [...] Natural fertility sets one limit here, as a point of departure or basis. The development of the social productivity of their labour sets the other limit'.²⁷

The social need, i.e. the use-value on the social scale, here appears decisive for the quota of total social labour-time that falls to the share of the various particular spheres of production. But this is simply the same law that is already exhibited by the individual commodity, i.e. that its use-value is the precondition of its exchange-value and hence of its value. It is a point that bears on the relation between necessary and surplus labour only in as much

as an imbalance in this proportion means that the commodity value, and therefore also the surplus-value contained in it, cannot be realized.²⁸

These difficulties are in many ways by now recognisable. It turns out that, like commercial profit and interest, ground-rent is just a differentiated form of the already produced surplus-value in a society.

Ground-rent is thus in general that form in which private ownership of natural resources can yield economic gain. Besides agriculture, this is equally valid for water, natural resources under the surface (minerals, oil and gas) and also building sites in densely built-up areas. Ground-rent is thus a highly relevant category in modern times.

It seems strange that those who own certain natural resources that can be monopolised are able to gain money without working. From where does this ground-rent derive, and what determines its size? This is actually a very complicated problem, and it is easy to invent many tricky examples that are hard to disentangle. Here, only the broad outline of an explanation will be given, focusing on the basic principles, rather than the detailed calculations needed for showing how these principles function in practice.

Differential rent

In capitalism, there are two main kinds of ground-rent: differential rent and absolute rent. Differential rent goes to someone who owns land or other monopolised resources that are more fruitful, have a better position or are in some other way more advantageous than other lands or resources of the same kind. This explains its name, since it derives from a relative difference between one piece of land and others. Absolute rent falls out equally much on all used land. The two types have different origins, but in reality they are of course added to each other to form an inseparable unity.

The first type, *differential rent*, corresponds to the ordinary extra profit (and extra surplus-value), but emerges in a slightly different way and has different consequences. Industrial capitals secure extra surplus-value (or surplus profit, on the current level of abstraction) by using more modern techniques to get a higher productivity of labour. This is made possible in competition, as a result of each capital striving to maximise profits, and such extra surplus profit will again vanish when the higher productivity of labour has spread to more industries and become the new overall norm in society.

In contrast to this, differential rent does not emerge from any growing capitalist productive force and it also does not vanish quite as easily by the continued impact of competition. For illustration, Marx here takes an industrial capitalist who makes use of a waterfall to get energy to drive engines, which thus gives him an advantage over competitors who have to pay for steam engines.

The increased productivity of the labour he applies [...] arises from the greater natural productivity of labour linked with the use of a natural force,

but a natural force that is not available to all capital in the same sphere of production, as is for example the elasticity of steam; its use therefore does not automatically occur as soon as capital is invested in this sphere. What is used is rather a monopolizable natural force which, like the waterfall, is available only to those who have at their disposal particular pieces of the earth's surface and their appurtenances.²⁹

If now the waterfall is controlled by a landowner, the capitalist who wants to make use of it is forced to pay the landowner for getting such a permission.

But capital cannot create a waterfall from its own resources. The surplus profit that arises from this use of the waterfall thus arises not from the capital but rather from the use by capital of a monopolizable and monopolized natural force. Under these conditions, the surplus profit is transformed into ground-rent, i.e. it accrues to the owner of the waterfall.³⁰

It is important to note that 'the natural force is not the source of the surplus profit, but simply a natural basis for it, because it is the natural basis of the exceptionally increased productivity of labour. Use-value is altogether the bearer of exchange-value but not its cause'.³¹

Another observation is that the private ownership of the waterfall as such has no part in creating value or surplus-value, as the same effect would appear if the capitalist could use energy for free from another waterfall on unclaimed land.

Thus landed property does not create the portion of value that is transformed into surplus profit; rather it simply enables the landowner, the proprietor of the waterfall, to entice this surplus profit out of the manufacturer's pocket and into his own. It is not the cause of this surplus-profit's creation, but simply of its transformation into the form of ground-rent, hence of the appropriation of this portion of profit or commodity price by the landowner or waterfall-owner.³²

The surplus profit that the waterfall enables the capitalist to cash in, by making his labour force relatively more productive, is not created by nature, but results from a redistribution of values produced in this same branch of production in the whole of society. But this form of ground-rent is an appearance that causes new versions of fetishism.

The waterfall, like the earth in general and every natural force, has no value, since it represents no objectified labour and hence no price, this being in the normal case nothing but value expressed in money. Where there is no value, there is *eo ipso* [by the same token] nothing to be expressed in money. This price is nothing but capitalized rent. Landed

property enables the proprietor to lay hold of the difference between the individual profit and the average profit; the profit captured in this way, which is renewed every year, can be capitalized and then appears as the price of the natural force itself.³³

While ordinary extra profit is the driving force of competition and then disappears again as a result of that same competition, the differential rent (and ground-rent in general) is the result of nature-dependent limitations of competition (monopolies).

It may help to construct an example. Assume that there are four kinds of lands, A, B, C and D, all used for cultivating some kind of corn, with a rising fertility level, so that A is least and D most fertile for this corn. In all other respects the capitals utilising each land are equal, so that they all use the same methods, etc. Their mutual differences in productivity only depend on the quality and location of the lands, nothing else. Assume that 1 ton of corn costs £120, and that the average rate of profit in society is 20 per cent. For a cost of £100, one must then be able to harvest 1 ton of corn on the least fertile land, A. If that land gave even fewer crops, the capitalist would no longer even bother to try and cultivate corn there, since he wouldn't accept less than the average rate of profit. And if A on the contrary gave more profit than the average, it would be possible to find yet another type of land which was even less fertile but could still be profitably cultivated. Table 13.1 presents a model of how the four lands may bear fruit for the capitalists who cultivate them:

Table 13.1 Differential rent

<i>Land</i>	<i>Capital invested</i>	<i>Product: tons</i>	<i>Product: value</i>	<i>Profit before d</i>	<i>Profit after d</i>	<i>Differential rent (d)</i>
A	100	1	120	20	= 20	+ 0
B	100	2	240	140	= 20	+ 120
C	100	3	360	260	= 20	+ 240
D	100	4	480	380	= 20	+ 360
Total	400	10	1200	800	= 20	+ 720

The worst usable piece of land A thus gets no differential rent at all but, as all the crops will be sold on the same market and at the same price per ton, the capitalist producing on the more fertile lands will more or less automatically count in a surplus profit. This is called differential rent, since it can be calculated as the difference between the profit from a certain type of land and the profit deriving from the worst kind of land that is ever (permanently) used for this kind of corn production (here, A). Differential rent emerges since each quantity of the same kind of product must have the same price on the market and each farmer must at the same time get at least the average rate of profit.

If now the societal need for this corn diminishes, the producers on A will first have to close down, and the differential rent of the others will shrink to the difference relative to the worst land that is then still used for this crop, i.e. B. In reverse: should the need for this crop increase in society, even worse lands would be cultivated, and the ground-rent incomes would grow for all landowners, including now even A who also can cash in a differential rent.

Differential rent thus arises through production or circulation advantages that *cannot be made general*. Such advantages could relate to the fertility of soils, the mineral content of mining ores, waterfalls and other peculiar natural formations, but also to the geographical location of a natural resource: its distance to the nearest marketplace, etc. Such nature-based and monopolisable advantages reduce the individual cost price for a certain amount of products below what would have been the case if these advantages had not existed. In this example, 1 ton of corn from the worst land, A, that has no particular advantages costs £100 to produce ($c + v$), while the same amount can be produced on the best land, D, for just £25. When products are then sold at the general production price on the market, an extra profit arises which goes to the landowner as a differential rent.

Since competition cannot simply distribute unlimited areas of the best land to all producers, this special extra profit will unlike other kinds of extra profit not be levelled out and transformed into relative surplus-value in the course of time. It is more stable than the industrial extra profit investigated before. Still, it is not quite unshakeable. Differences in the material productivity of nature can be influenced by new technologies, new kinds of seed, artificial fertilisers, alternative production methods or substitute products. Capital strives to invent precisely such methods that diminish the size of the differential rent. Its goal is to use technical productivity advantages to get hold of ordinary extra surplus-value, and this will result in a tendency for capital to compete with landowning and be in opposition to it. The active capitalist wishes to share as little as possible with passive landowners. Better and cheaper communications will for instance reduce the advantages of a good geographical location (that's why today so many commodities move great distances across the earth between production, packaging and sales), and nuclear power plants may make waterfalls less profitable. In such instances, differential rent will of course shrink.

In practice, it can be quite hard to calculate differential rents, for instance when a certain piece of land can be used for two different purposes (crops and cattle). Marx also distinguishes between two major forms: differential rent I that derives from fertility variation between lands and differential rent II that comes from successive capital investments on the same soil. Those who wish to scrutinise such further complications should go to Marx's own text, which does not contradict what has so far been said.

Differential rent is thus an extra profit that the landowner instead of the capitalist lays hands on. This surplus-value has not been created by precisely those labourers who work on the more advantageous land. But where does it then come from? Even the worst land gave the average rate of profit to its user,

even if that landowner for the moment remained without any income. If all these agricultural capitals can get prices corresponding at least to their production prices, value has to be transferred to them from the capitals in other branches. The £720 in total differential rent that emerged in this four-lands society must be taken from the mass of profits in the rest of society. Those who buy products of the soil pay for it above their production prices. If the buyers use the corn products as means of production in capitalist industry (for instance using the corn to feed cattle or as energy for machines), then the differential rent has already in this step gnawed on the total profit of society. If workers buy the agricultural products for their own consumption as means of subsistence, the differential rent will increase the value of labour-power, so that the societal profit is affected in the second step.

This is determination by a market value brought about by competition on the basis of the capitalist mode of production; it is competition that produces a false social value. This results from the law of market value to which agricultural products are subjected. The determination of the market value of products, i.e. also of products of the soil, is a social act, even if performed by society unconsciously and unintentionally, and it is based necessarily on the exchange-value of the product and not on the soil and the differences in its fertility.³⁴

Through the levelling mechanisms of competition, it will be the capitalist class as a whole that must pay for the landowners' incomes from differential rent. When surplus-value is transferred to unproductive landowners, the total industrial rate of profit in the whole society is somewhat further diminished, on top of the pressure caused by commercial profit and bank interest.

Absolute rent

Not even the owner of the worst land is willing to lend it out for free to a capital that can get the average profit by using it. The A landowner then prefers not to bother at all. If the organic composition in the agricultural sector is lower than in the rest of society, this has some peculiar consequences. Assume for instance that the rate of surplus-value is 100 per cent, that the average composition of the societal capital outside agriculture is $85c + 15v$, and within agriculture $75c + 25v$. The total product is then outside agriculture $85c + 15v + 15s = 115$ and in agriculture $75c + 25v + 25s = 125$. Normally, competition would result in the establishment of a shared rate of profit, so that the total surplus-value of $15s + 25s = 40s$ was equally divided between the two groups of capitalists, if they are equally large as they are here ($85c + 15v = 100 = 75c + 25v$). In this case, both total products would be sold for 120, of which 100 was the cost price and 20 the profit. The resulting rate of profit would be 20 per cent. The agricultural products would here be sold under their value, and the reverse for

all other products. Table 13.2 illustrates how it would be if landowning had no influence (cp = cost price; p = profit):

Table 13.2 Absolute rent hypothetically without landowning effects

<i>Capital</i>	<i>Commodity product before levelling out</i>	<i>Rate of profit before</i>	<i>Commodity product after levelling out</i>	<i>Rate of profit after</i>
Agriculture	$75c + 25v + 25s = 125$	25 %	$100cp + 20p = 120$	20 %
Other	$85c + 15v + 15s = 115$	15 %	$100cp + 20p = 120$	20 %
Total	$160c + 40v + 40s = 240$	20 %	$200cp + 40p = 240$	20 %

The mechanism that would give this result involves capitals from other branches moving to the agricultural sector in order to gain higher profits. As long as commodities initially are sold at their true values, each invested £100 gives £25 in profit there against £15 elsewhere, so this is a wise strategy. This flight of capital to agricultural production continues until an overproduction of agricultural products depresses their prices to 120 so that the rates of profit are equalised at 20 per cent.

However, this is not what actually happens, since it is precisely this levelling mechanism that is blocked by the landowners. If the landowner even on the worst piece of land, A, is for instance able to get £5 in ground-rent for each invested £100, then the cost price on that land will increase by £5, but it will still be profitable to grow crops there. Before the levelling out of rates of profit, the agricultural production then has to cover the necessary investments of $75c + 25v + 5a = 105$ (where a is absolute rent), but, since the total product value is 125, 20 (125 - 105) will remain as profit for the agricultural capitalist who initially invested the 100 + 5 value units. Before the levelling out of the rate of profit between the sectors, the modified rate of profit in agriculture is therefore 20 per cent, compared to 15 per cent in other branches. Since all agricultural capitalists are dependent on using monopolisable land, they can be forced to pay such absolute ground-rent even for the least fertile natural resources, and the rest of society's capitals have to stand for the costs from their total surplus-value. They will be forced to accept that the 5a sum is first deducted from all agricultural product values 'before' the equalisation of profit rates takes place. The new equilibrium will after a levelling process in this case be as shown in Table 13.3.

Table 13.3 Absolute rent in reality with landowning effects

<i>Capital</i>	<i>Commodity product before levelling out</i>	<i>Rate of profit before</i>	<i>Commodity product after levelling out</i>	<i>Rate of profit after</i>
Agriculture	$100cp + 5a + 20p = 125$	20.0 %	$100cp + 5a + 17.5p = 122.5$	17.5 %
Other	$100cp + 15p = 115$	15.0 %	$100cp + 17.5p = 117.5$	17.5 %
Total	$200cp + 5a + 35p = 240$	17.5 %	$200cp + 5a + 35p = 240.0$	17.5 %

This kind of ground-rent can thus be charged for *all* land used for a specific kind of production, not only that with better quality than others. This is why it is called *absolute rent*. It gives the same constant sum for all used lands, and on top of it comes the differential rent for those soils that are more productive than the minimum level for such production.

It is not unreasonable to assume a lower organic composition in agriculture and mining, since such industries have relatively low costs in raw materials as these raw materials are taken directly from nature, whereas other branches need to buy them already processed by other capitals. The capitalist who finds a fertile forest or fresh oil sources may have to pay for his machines, but still his products will contain relatively little constant capital of the fluid kind and therefore an exceptionally high rate of new, value-creating living labour. This makes it possible to take out extra profits in the form of absolute ground-rent without having to push prices up above the 'individual' values. By using his exclusive ownership right to natural forces that can be monopolised, the landowner can block the evening out of rates of profit that would otherwise have taken place and lay his hands on the difference as absolute rent.

Landed property, whenever production needs land, whether for agriculture or for the extraction of raw materials, blocks this equalization for the capitals invested on the land and captures a portion of surplus-value which would otherwise go into the equalization process, giving the general rate of profit. Rent then forms a part of the value of commodities, in particular of their surplus-value, which simply accrues to the landowners who extract it from the capitalists, instead of to the capitalist class who have extracted it from the workers.³⁵

Landowning thus forms an external barrier for capital, arresting the levelling out of the rate of profit and letting agricultural products be sold above their production prices though still below their value. In the example above, depending on their relative strength vis-à-vis the capitalists, landowners can charge an absolute rent of up to £10. If they managed to squeeze out £10, the two sectors would already be equalised from the viewpoint of capital as, in both of them, a capitalist would gain £15 in profit for each invested £100. If the landowner asked for even more, capitals would normally choose to invest elsewhere, the land would remain unleased and the landowners would be forced to lower their leasing fees in order to get anything at all. If nothing else, the mutual competition between different landowners would have that result. (A contemporary illustration to such processes can be found in the precarious combination of mutual competition and co-operation between the partner states within the Organization of the Petroleum Exporting Countries, OPEC.)

If, on the other hand, the organic composition in agriculture was equal to or even higher than the societal average, then the general trend would already be that capitals moved from there to other sectors. In such a case, landowners

would not have any great luck in asking for absolute rent for leasing out the least fertile lands.

However, in some special circumstances, commodity prices may be driven up even above their values, in agriculture as well as in all other sectors of production. This happens when supply is permanently (or at least for a long time) held down by artificial means. This is what is called *actual monopoly price*. Examples that Marx mentions are unique wines and artworks. Such prices may be compared with state taxes, in the sense that they are added on top of values as an extra increment, without being at all related to the determination of values. Such monopoly prices must of course be paid for by a corresponding deduction from surplus-value somewhere else in society. Monopolies are normally difficult to sustain for very long, since substitute products can be made and since the state also strives to prevent such monopolies and instead support the free competition of capitals.

The differential rent was just one way for landowners to get hold of extra profits that were not created by landowning itself.

Differential rent has the peculiarity that here landed property seizes only the surplus profit that the farmer himself would otherwise pocket, and under certain circumstances does pocket for the duration of his tenancy. Here landed property simply causes the transfer of a portion of the commodity price that arises without any effort on its part (rather as a result of the determination by competition of the production price governing the market), a portion reducible to surplus profit, from one person to the other, from the capitalist to the landowner. Landed property is not in this case a cause that *creates* this component of price or the rise in price that it presupposes. But if the worst type-A land cannot be cultivated – even though its cultivation would yield the price of production – until it yields a surplus over and above this production price, a rent, then landed property is the creative basis of *this* rise in price. *Landed property has produced this rent itself.*³⁶

It is of course not the ground that has created the value to which this ground-rent corresponds. The condition is always a lower organic composition than the average. Absolute rent is the result of the fact that landed property stands as ‘an alien power and a barrier’ against capital.³⁷ By owning lands, landowners can grab a fraction of the surplus produced on their lands and prevent it from taking part in the equalisation of the rate of profit.

The role of ground-rent

The history of landowning is the prehistory of modern industrial capital. Medieval modes of exploitation such as tenancy, a tenth to the Church, fees and taxes were slowly transformed, so that the feudal estate lord evolved into a rentier, living on monetary income from leasing out land, while initially letting his subordinates perform day work on his lands. However, in *Capital's* logical

rather than historical presentation, land ownership is not analysed until here in Volume III, when Marx has developed the theoretical tools needed to understand from where the surplus-value derives that goes to those who possess arable land, building sites, forestal ground, fishing waters or mineral deposits. Only now can he explain how natural resources that never were produced by human work can still gain exchange-value. In the beginning, it was taken for granted that such value is always based on human labour, but Marx is now able to carefully test this presupposition in his theory of ground-rent that scrutinises the role of landowning in capitalism. The basic economic laws of developed capitalism cannot be fully realised until the historical developments have created the conditions for it.

Hence, within the system of bourgeois society, capital follows immediately after money. *In history, other systems come before*, and they form the material basis of a less complete development of value. Just as exchange value here plays only an accompanying role to use value, it is not capital but the relation of landed property which appears as its real basis. Modern landed property, on the other hand, cannot be understood at all, because it cannot exist, without capital as its presupposition, and it indeed appears historically as a transformation of the preceding historic shape of landed property by capital so as to correspond to capital.³⁸

It is therefore no wonder that the real importance of the early history of landowning can only be understood afterwards, when its results are known. And when history has created the conditions for modern capitalism, 'logic takes over' and becomes an actively formative force in the continuing development. Trade, credit and landowning, having helped give birth to industrial capital, are today its servant. In developed capitalism, historical developments have created specific human forms of activity that may be understood through abstract concepts. Such 'real abstractions', including the concept of labour in general, arise as human societies in practice fuse different kinds of work into a common form. When this has once happened, such an abstract concept may be applied in highly different epochs, but its roots and full validity are only in capitalism.

Bourgeois society is the most developed and the most complex historic organization of production. The categories which express its relations, the comprehension of its structure, thereby also allows insights into the structure and the relations of production of all the vanished social formations out of whose ruins and elements it built itself up, whose partly still unconquered remnants are carried along within it, whose mere nuances have developed explicit significance within it, etc. Human anatomy contains a key to the anatomy of the ape. The intimations of higher development among the subordinate animal species, however, can be understood only after the higher development is already known. The bourgeois economy thus supplies the key to the ancient, etc. But not at all in the manner of those economists

who smudge over all historical differences and see bourgeois relations in all forms of society. One can understand tribute, tithe, etc., if one is acquainted with ground rent. But one must not identify them. Further, since bourgeois society is itself only a contradictory form of development, relations derived from earlier forms will often be found within it only in an entirely stunted form, or even travestied. For example, communal property. Although it is true, therefore, that the categories of bourgeois economics possess a truth for all other forms of society, this is to be taken only with a grain of salt. They can contain them in a developed, or stunted, or caricatured form etc., but always with an essential difference. The so-called historical presentation of development is founded, as a rule, on the fact that the latest form regards the previous ones as steps leading up to itself, and, since it is only rarely and only under quite specific conditions able to criticize itself - leaving aside, of course, the historical periods which appear to themselves as times of decadence - it always conceives them one-sidedly.³⁹

This general relation between logics and history is not least relevant to the understanding of ground-rent.

Ground rent cannot be understood without capital. But capital can certainly be understood without ground rent. Capital is the all-dominating economic power of bourgeois society. It must form the starting-point as well as the finishing-point, and must be dealt with before landed property. [...]

It would therefore be unfeasible and wrong to let the economic categories follow one another in the same sequence as that in which they were historically decisive. Their sequence is determined, rather, by their relation to one another in modern bourgeois society, which is precisely the opposite of that which seems to be their natural order or which corresponds to historical development.⁴⁰

There is potentially a deep contradiction between landowners and capitalists. This tension surfaced in early capitalism, in the struggle around the duties on corn in eighteenth- and nineteenth-century England. Landlords then wanted duties to protect their interests, while industrial capitalists fought for free competition. Contradictions have persisted through the history of capitalism, with undiminished intensity, only with new subjects of contention. Struggles over protectionism versus free trade are found in all world regions today. The ownership interests of the oil states have already been mentioned and, in the USA, one may for instance identify different capital fractions, with landowners in the South being an important force with specific economic and political interests standing against the industrial and trading capitalists in the North and coastal areas.

Private landowning was a key element that paved the way for the emergence of the capitalist mode of production. The chapter on primitive accumulation above showed that the privatisation of previously common lands was central to

that whole process that broke the link between immediate producers and their soil-bound conditions of production, so that a doubly free class of wage-labourers could arise – free from feudal bonds and ‘free’ from means of production. On the other hand, landowners gnaw on the mass of profits deriving from productive capital and tend to arrest the free movements of capital. Late-eighteenth-century bourgeois economists such as the Physiocrats and David Ricardo regarded landowning as a suffocating millstone around the neck of productive capitalism.

If the capitalist owns his own land, absolute rent can disappear. He can then choose to produce agricultural crops on his own soil without asking for more profits than the average. How can that be explained? The answer is that, in his case, land ownership has ceased to be an external barrier to his capital investments. But this is an exceptional situation in capitalism, where landowning and capital normally tends to be divided.

However, differential rent never disappears – not even if the state takes over the ownership of all lands in question. As long as there is commodity production, ground-rent will thus persist. The reason is that the exchange of equivalents presupposes that similar products must be exchanged at the same value, irrespective of how much individual labour is hidden in each product unit. Provided their quality is the same, 1 kg of corn must have the same exchange-value as any other kilogram of the same kind of corn in the same marketplace. This depends on the concept of value itself as ‘socially necessary labour’, of which all the analysis of *Capital* develops new forms of specification and concretisation. The combination of monopolisable landowning (with differences in fertility that cannot immediately be levelled out) and commodity production automatically gives birth to ground-rent. If land or natural resources are nationalised, it is the state that gets the ground-rent instead of the individual private landowners, but it does not vanish.

In a fully ‘communist’ or socialist society, Marx argues that ground-rent does disappear. If society consists of associated producers, they would not even think of paying more for products from more fertile soil than that which corresponds to the labour time used for producing them, if there were indeed any form of ‘payment’ involved at all. Such immobile natural resources would then instead function as all other factors that reduce production efforts. When commodity production has been abolished, Marx therefore does not believe that there is any automatic mechanism of the kind that is rooted in the commodity form. In such a future, each mathematical connection between labour effort and the amount of products for individual consumption is either arbitrary or an abstract thought construction, or the result of a conscious decision by the collective workers.

From the standpoint of a higher socio-economic formation, the private property of particular individuals in the earth will appear just as absurd as the private property of one man in other men. Even an entire society, a nation, or all simultaneously existing societies taken together, are not the

owners of the earth. They are simply its possessors, its beneficiaries, and have to bequeath it in an improved state to succeeding generations, as *boni patres familias* [good heads of the household].⁴¹

Notes

- 1 *Capital III*: 395 (Chapter 17).
- 2 *Capital III*: 407–408 (Chapter 17).
- 3 *Capital III*: 416 (Chapter 17).
- 4 *Capital III*: 400–401 (Chapter 17).
- 5 *Capital III*: 442 (Chapter 20).
- 6 *Capital III*: 447 and 448 (Chapter 20).
- 7 *Capital III*: 452 (Chapter 20).
- 8 *Capital III*: 454 (Chapter 20).
- 9 *Capital III*: 455 (Chapter 20).
- 10 *Capital III*: 460 (Chapter 21).
- 11 *Capital III*: 515–516 (Chapter 24, translation corrected).
- 12 *Capital III*: 516 (Chapter 24).
- 13 *Capital III*: 523–524 (Chapter 24).
- 14 *Capital III*: 623 (Chapter 30).
- 15 *Capital III*: 567 (Chapter 27).
- 16 *Capital III*: 571–572 (Chapter 27).
- 17 Marx (1866/1974, ‘The International Workingmen’s Association: Instructions for the Delegates of the Provisional General Council’).
- 18 *Capital III*: 572 (Chapter 27).
- 19 *Capital III*: 728 (Chapter 36).
- 20 *Capital III*: 731 (Chapter 36).
- 21 *Capital III*: 731 (Chapter 36).
- 22 *Capital III*: 732 (Chapter 36).
- 23 *Capital III*: 735 (Chapter 36).
- 24 *Capital III*: 736 (Chapter 36).
- 25 *Capital III*: 752 (Chapter 37).
- 26 *Capital III*: 756 (Chapter 37).
- 27 *Capital III*: 772–773 (Chapter 37).
- 28 *Capital III*: 774 (Chapter 37).
- 29 *Capital III*: 784 (Chapter 38).
- 30 *Capital III*: 785 (Chapter 38).
- 31 *Capital III*: 786 (Chapter 38).
- 32 *Capital III*: 786 (Chapter 38).
- 33 *Capital III*: 787 (Chapter 38).
- 34 *Capital III*: 799 (Chapter 39).
- 35 *Capital III*: 906 (Chapter 45).
- 36 *Capital III*: 889 (Chapter 45).
- 37 *Capital III*: 896 (Chapter 45).
- 38 *Grundrisse*, 252.
- 39 *Grundrisse*, 105–106.
- 40 *Grundrisse*, 107.
- 41 *Capital III*: 911 (Chapter 46).

14 Mystifying realities

The final Part 7 (Chapter 48–52) of *Capital III* bears the title ‘Revenues and their Sources’. ‘Revenue’ is an income, a ‘return’ or payback for an investment or effort made. Back in in Volume I, when analysing simple reproduction, Marx used the term to describe how capitalists appropriated surplus-value as an income, with capital itself as its ultimate source: ‘As a periodic increment of the value of the capital, or a periodic fruit borne by capital-in-process, surplus-value acquires the form of a revenue arising out of capital’.¹ In these final sections of Volume III, Marx comes even closer to the surface of society by analysing how capitalism’s inner core is further mystified for those social classes that are defined through the kinds of incomes they live on, and the respective sources of these incomes. Several of these chapters are – like many earlier in Volume III as well – obviously unfinished and undeveloped drafts, which makes it hard to summarise them in a more systematic way. They were meant to pave the way for a genuine class analysis, but remained too sparse to suffice to found such analysis. It is more useful to take this opportunity to summarise how the capitalist combination of production factors feeds into bourgeois ideology and thus to summarise the main mystifications of capitalism and to hint at some main traits in how the capitalist relations of production appear for those who live within and by them.

The trinity formula

The main aspects of capitalism’s fetishes can be put into a simple formula where interest is the fruit of capital; ground-rent is the fruit of land; and wage is the fruit of labour: ‘this trinity form holds in itself all the mysteries of the social production process’.² (Marx first links capital to a combination of profit and interest, but at once adds that, fortunately for bourgeois ideology, profit tends to be hidden when interest appears as the specific characteristic product of capital.) This formula creates the impression that capitalists, landowners and wage-labourers receive fair incomes (revenues) from their respective sources: capital, land and labour.

There is a grain of truth in this. Year after year, each of these three classes can survive on their assets. Owners of capital can live on a part of their interest,

ground-rent secures a steady income for its owners, and all who work get wages to live on. Interest, ground-rent and wage thus form annual incomes for these three classes in society. For each of them, their own specific resource appears as the true source of their incomes. For capitalists, capital is really a continuously renewable pumping machine that squeezes surplus labour out of the workers. For landowners, land is a reliable magnet that attracts a part of this surplus-value that capital has extracted from labour-power. And for workers, labour is truly a means of getting back a fraction of all value they have created, in the form of the wage for which they buy necessary means of subsistence.

Still, the trinity formula is false, in at least three ways: (1) it lets capital, land and labour stand as three equal factors of production in society, as if they were completely comparable and equivalent as sources of revenue; (2) it gives off the impression that the total value sum of society is composed of interest, ground-rents and wages, as if these were three independently value-creating factors, when it in reality is just a part of the annually created new value in society that is through several steps transformed into these incomes; (3) It suggests that this is an eternal, timeless condition and that capitalism is not an historically specific mode of production. The first two illusions will here be treated first, the third one later in this chapter.

First, the total value product of labour is divided into different parts, among them interest, ground-rent and wage, which thereby appear as incomes or revenues for the three social classes. But this distribution actually requires that the total amount of value is already there to divide. The three parties all get the impression that they command a special, independent source of value, while in fact all value derives from living labour. Interest and ground-rent are in reality transformed fractions of surplus-value. Wage is not at all a compensation for the labour performed, but for the labour-power that workers have sold. Part of surplus-value also appears as wage for unproductive workers (above all in the sphere of circulation) and for managers and other representatives of capital. These 'revenue sources' thus do *not create* their respective revenues, and their functions in the reproduction process are far from equal.

Second, the trinity formula gives the impression that the total value of the annually produced commodities in the last instance can be divided into interest (or possibly profit) + ground-rent + wage. This is false. The whole annual product is *not* transformed into incomes for the different classes. A substantial part of it is instead used to reproduce constant capital, as the means of production are worn down, used up or outmoded. Another key part of the annual product value is invested in new productive capital – transformed through accumulation from profit to capital – and therefore never figures as direct income for any social class. Thus, the sum of the three revenues is just a fraction of the annually produced new value ($v + s$) and an even smaller fraction of the total value of the annually produced commodities ($c + v + s$).

Figure 14.1 illustrates how the three revenues actually emerge, compared with how things appear at the surface of society. The broken line marks the border between surface and depth, the dotted arrows illustrate how appearances

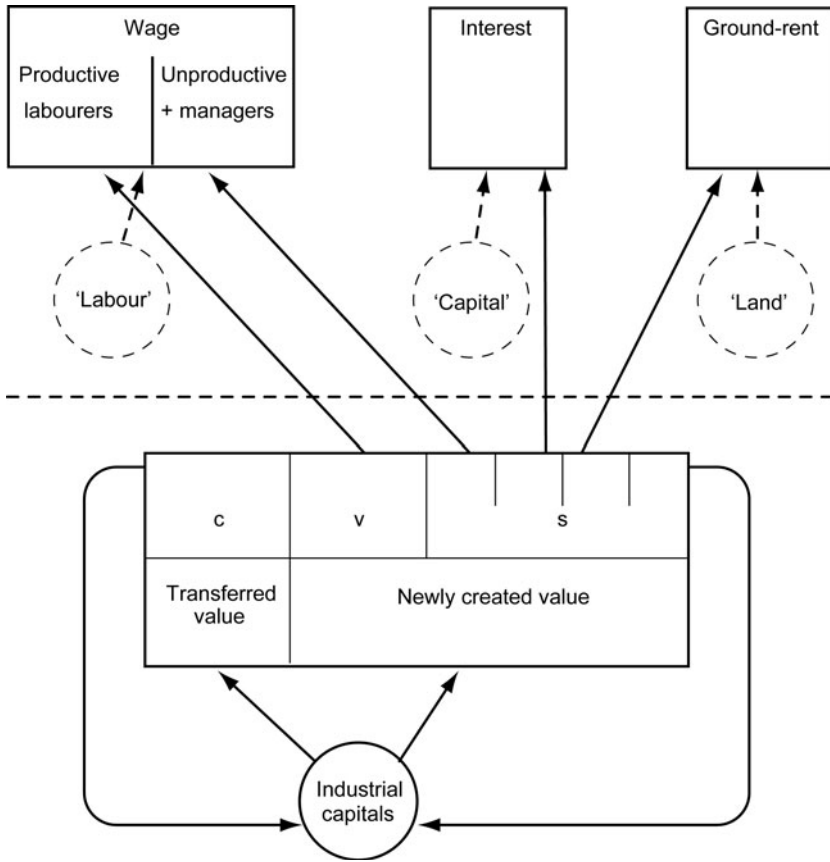


Figure 14.1 The trinity formula

on the surface explain the sources of the revenues, while the solid arrows show what really happens.

The differences between the trinity formula and the real capitalist relations have clear ideological consequences. It appears as if the very *ownership* of elements of production were the source of money – whether non-produced (land), produced material (machines, raw materials or cultivated plants and animals) or human (labour-power). This ownership appears as the source of wealth. This totally mystifies real relations.

This is not *only* an ideological issue, but also has material, economic implications. Had the three actually been equivalent and mutually autonomous sources of value, the size of each of them would have been modified independently of the others. If one of them increased or diminished, the total value sum would have changed without any change in the size of the other two. But this is not the case. All incomes derive from the given value substance that is the total sum of new values. The sum comes first and the parts second, not the other way

around, as the trinity formula suggests. And these three components are not arbitrarily determined. Different societal mechanisms of distribution regulate their respective sizes, and the ultimate frame is decided by the total annual amount of living labour added.

In order to understand the real processes behind such powerful illusions, a complex analysis is needed, even though everyday experience may also on certain occasions momentarily tear apart such myths and open up a glimpse of the true relations: ‘all science would be superfluous if the form of appearance of things directly coincided with their essence’.³

The role of competition

On the surface of society, in people’s ordinary (self-)consciousness, everything appears distorted. The mechanisms of competition hide away the inner structure of capitalism, at the same time as they also make these fundamental laws of capitalist commodity production make themselves felt in the concrete situation. The essence appears in disguised forms, and it *must* appear, but its forms of appearance mystify its hidden character. Competition has ‘positive’ effects by reproducing society and its key elements (labour and capital) but, as this society is highly problematic and contradictory, Marx focuses on its ‘negative’ effects.

To each capitalist, the cost price appears as a given entity. He must pay certain sums for means of production and labour-power. The profit appears to be something additional, an increment added on top of this cost price. The capitalist doesn’t care much how value is really produced and determined, as long as he gets (at least!) the average rate of profit. Values are determined behind his back, apparently automatically, like a true economic law in society, fully comparable to natural laws. Capital has become a ‘second nature’! What the capitalist can influence is only his share of the created value and, even in that respect, he has to obey the blind forces of competition. In order to maximise his profits, the industrial capitalist wants to keep all costs down, including labour wages as well as bank interest and ground-rent.

The mechanisms of competition distribute surplus-value among different kinds of exploiters. They also distribute capital across branches of production, roughly in relation to the societal needs for different use-values, provided those needs are matched by a corresponding capacity to pay among those who have them. Competition forces the productive forces to develop. Competition is anarchic, but at the same time fulfils a specific but hidden inner logic, a systematics within capitalism. Economy critique must therefore attack both the chaos and the order of this society.

Competition is also to blame for the illusion that value seems to be created in circulation, or by machines, or directly from nature. Labour as the sole value source is what governs the effects of competition, according to the law of value, but competition itself does not openly reveal this fact. This falsely suggests that capital, land and labour are three independent sources of value and income – as if interest, ground-rent and wage were three autonomous entities

that added up to the total sum of values in society, and as if the capitalist mode of production was an eternal and natural one.

It is now possible to summarise some key steps in the *mystifications of capitalism*.

- 1 The commodity was already characterised by the basic *commodity fetishism* that made value appear as use-value, abstract labour as concrete labour and societal labour as private labour.
- 2 This came to more clear and stable expression in the *money fetishism* that made coins and banknotes appear as if they as pure material things in themselves were abstract societal labour, i.e. value. These first distortions arise in all commodity production and monetary economy, but this enchanted and twisted world is far more developed in the capitalist mode of production that makes the commodity the elementary form of wealth.
- 3 When labour-power also becomes a commodity, through the introduction and normalisation of wage-labour, the fetish character of the commodity has yet other consequences. In the form of wage, the difference between paid and unpaid labour vanishes, and all labour appears to be paid. This *wage fetishism* conjures away surplus labour.
- 4 Further mystifications are added in the *immediate production process*. The productivity of labour is developed through the production of relative surplus-value. Thereby, these productive forces appear as if they derived from capital rather than from the combined societal labour. Capital thus becomes a mystical spirit that lets all the societal productive forces of labour appear as if they belonged to capital and even stand in opposition against the worker, as an alien power.
- 5 The *circulation process* extends the sorcery by giving rise to the appearance that value and surplus-value are not only realised but created in circulation. This results from value not becoming visible until the moment in circulation when commodities are sold. This appearance that circulation creates value is reinforced by two circumstances. First, the realisation of surplus-value and thus the profit of the individual capitalist is also affected by cunning tricks, deception, skill and the state of the market – factors that seem to contribute to value creation, besides labour-time. Second, circulation time affects how much surplus-value a capitalist can get over a given time period, so that this circulation time seems to determine value production, even though it in reality is only an external limit for it.
- 6 The division between production and circulation also gives rise to a group of *unproductive circulation workers* who get paid a wage like all others. The wage-form covers up the distinction between productive and unproductive labour. Even the functionaries of capital can take out the fraction of profits they aim to consume privately in the form of a (managerial) wage, so that even their activity (which is necessary for capitalism but totally unproductive of value) appears as a source of income. Competition hides away the links between the movements of individual capitals and the general

laws of the total capital in society. In the capitalist production process as a whole, as a unity of immediate production process and circulation process, new confusing phenomena appear, which petrify the components of value in forms that stand seemingly independently against each other and conceal the main thread of the inner connection of capitalism.

- 7 The transformation of surplus-value into *profit* causes it no longer to be measured against labour but against the total invested capital. This conceals the true nature and source of surplus-value: labour as the creative basis of capital. At the same time, the degree of exploitation is underestimated, since the rate of profit is always less than the rate of surplus-value.
- 8 When profit is transformed into *average profit*, and values into *production prices*, the true relations are even further dislocated. All these levelling mechanisms of the competition between individual capitals falsely make individual profits appear to be even less dependent on living labour.
- 9 The division of profit into profit of enterprise plus interest and the emergence of specific *commercial capitals and money capitals* with their special forms of profit perfects the petrification of the form of surplus-value. It seems to become independent of its own essential substance in surplus labour. 'If capital originally appeared on the surface of circulation as the capital fetish, value-creating value, so it now presents itself once again in the figure of interest-bearing capital as its most estranged and peculiar form'.⁴ This is expressed in the formula capital → interest: money that grows by itself.
- 10 Finally, *landowning* enters besides capital into the fake role as an autonomous source of surplus-value. Landowning limits the average profit and pulls a fraction of the surplus-value away from capitalist accumulation to a social class that neither works nor directly exploits workers. Unlike interest-bearing capital, it cannot even excuse itself by claiming that its income covers for any kind of risk-taking or sacrifice. It makes a part of surplus-value appear as if it derived from the soil as a natural element, not from social relations. This finally tears apart all true inner connections and effectively hides away the source of surplus-value.

In a satirical passage, Marx summarises this last step of mystification:

Capital-profit (or better still capital-interest), land-ground-rent, labour-wages, this economic trinity as the connection between the components of value and wealth in general and its sources, completes the mystification of the capitalist mode of production, the reification of social relations, and the immediate coalescence of the material relations of production with their historical and social specificity: the bewitched, distorted and upside-down world haunted by Monsieur le Capital and Madame la Terre, who are at the same time social characters and mere things. It is the great merit of classical economics to have dissolved this false appearance and deception, this autonomization and ossification of the different social elements of

wealth *vis-à-vis* one another, this personification of things and reification of the relations of production, this religion of everyday life, by reducing interest to a part of profit and rent to the surplus above the average profit, so that they both coincide in surplus-value; by presenting the circulation process as simply a metamorphosis of forms, and finally in the immediate process of production reducing the value and surplus-value of commodities to labour. Yet even its best representatives remained more or less trapped in the world of illusion their criticism had dissolved, and nothing else is possible from the bourgeois standpoint; they all fall therefore more or less into inconsistencies, half-truths and unresolved contradictions. It is also quite natural, on the other hand, that the actual agents of production themselves feel completely at home in these estranged and irrational forms of capital-interest, land-rent, labour-wages, for these are precisely the configurations of appearance in which they move, and with which they are daily involved. It is equally natural, therefore, that vulgar economics, which is nothing more than a didactic and more or less doctrinaire translation of the everyday notions of the actual agents of production, giving them a certain comprehensible arrangement, finds the natural basis of its fatuous self-importance established beyond all doubt precisely in this trinity, in which the entire inner connection is obliterated. This formula also corresponds to the self-interest of the dominant classes, since it preaches the natural necessity and perpetual justification of their sources of income and erects this into a dogma.⁵

Bourgeois ideology

The trinity formula is a point of departure for much of bourgeois ideology's dominant ways of explaining contemporary society. It is reminiscent of ideas that there is a fixed pool of money available for wages, which everybody (including industrial managers) must share, and that a sound 'balance' must be struck between labour and capital. Such ideologies are not mere false illusions spread by evil lobbyists. They are deeply rooted in the forms of appearance of real economic relations, which create deceptive forms that are corroborated by everyday experience and tend to become systematised as false patterns of explanation in ordinary consciousness even of the working class itself.

For instance, irrespective of exploitation, workers do have an immediate interest in maintaining their incomes from their specific source of revenue in labour. Without a job: no wage and no social function. Wage-labourers therefore in the short run have a direct need for their 'own' company to be profitable. This leads to shared interests among the different social classes: all are interested in the three sources of revenue to function well and 'co-operate' in a harmonious and balanced manner. The struggle between them tends to be reduced to a fight over the relative size of the revenues: the share of the total values that the respective revenue owners are allowed to withdraw. These shared interests are based on the *fetish character of capital* and formulated in the

trinity formula. They are one of the ideological foundations of parliamentary democracy and the state, which Marx unfortunately never managed to theorise enough in his *Capital*.

It should be added that there are other interests of the working class that go against those of the capitalists. Such critical needs and experiences appear in the direct production process, when exploitation is felt most strongly, directly in one's own body, and where recurring conflicts with representatives of capital tend to reveal the antagonistic character of capitalism. They also come to the fore in other spheres of life, where profit interests clearly contradict human needs.

Ideologies arise on various levels of abstraction, and fundamental false patterns of thought are then developed and concretised through these levels, up to the surface of immediate impressions. The roots of basic bourgeois ideas of equality and freedom were thus traced down to simple commodity circulation, where commodities are exchanged according to the principle of equivalence, and the exchange process disregards all individual (use-value-related) peculiarities of commodities and their owners. The equality of commodity owners corresponds to their total mutual indifference. And their freedom to choose exchange partners and fulfil the exchange corresponds to a lack of direct social connection between them. Society is instead held together by the market, where social relations between human subjects take the form of external relations between dead objects.

At this level, equality and freedom are still in some sense 'true', even though people are only equal and free as commodity owners. On a more concrete level, these principles hide their reverse: the un-freedom of the labourer and the way capital appropriates unpaid surplus labour without giving any equivalent in return. When labour-power becomes a commodity, the exchange between capitalist and worker seems also as if it were equal and free, which conceals the fundamental injustice and fetter of exploitation.

Similar patterns feed ideology higher up among the progressive levels of concretion. Competition reconstructs capital, land and labour as equivalent sources of income, hiding away the fact that all incomes (and more than that!) are actually always the product of labour performed by the working class.

The basis of bourgeois ideology are the fetish forms of capitalism, according to which value appears as use-value, abstract labour as concrete labour, etc. Since use-value and concrete labour are less specific to capitalism than their counterparts, this implies that specific capitalist relations (including commodity production aiming for valorisation) appear as general, allegedly 'natural' human relations (the making of utilities with support by nature and the tools of labour). In this way, capitalism is 'dehistoricised'. Some themes tend to recur in the bourgeois explanations of capitalism.⁶

1 First, *capital is often identified with means of production* that have been made not for immediate consumption but for making other commodities. This serves to depict capitalism as a natural mode of production, with roots way back in the history of mankind. Every societal production process must make use of

means of production, and in fact even many animal species use tools to get food. Still, apes or pre-capitalist producers are not capitalists.

Workers who sell their labour-power encounter a capitalist who owns his means of production. He appropriates the surplus labour of the workers by using the means of production as means of exploitation. 'Constant capital, the means of production, only exist, considered from the standpoint of the process of valorization, in order to absorb labour and, with every drop of labour, a proportional quantity of surplus labour'.⁷

In the capitalist production process, means of production do not only function as tools of labour but also as means of valorisation. This creates the appearance that exploitation is a relation between the worker and a material means of production, when it is in fact a relation between people, and between social classes.

Means of production only function as capital when the owners of labour-power are forced to sell that embodied capability to the capitalist who owns these means of production. This makes it possible for capitalists to appropriate unpaid surplus labour from the working class. In non-capitalist societies, the means of production are simply tools of labour for making use-values. 'The practical agents of capitalist production and their ideological word-spinners are as incapable of thinking of the means of production separately from the antagonistic social mask they wear at present as a slave-owner is of thinking of the worker himself as distinct from his character as a slave'.⁸

- 2 Another common misconception is that the worker is a capitalist and that *labour-power is his 'capital'*. This relates to the trinity formula, where the sale of labour-power appears as a source of income parallel to how the capitalist gets his share of the value product. But nobody becomes a capitalist just by owning a commodity. The worker cannot use his labour-power for anything, since he does not own any means of production. He therefore has to sell it. His wage just covers the value of his labour-power, which is barely enough to recreate the labour-power used up in the capitalist production process. The continuous sale of labour-power does not make the worker rich but only keeps him alive.

It is different for the capitalist who buys the labour-power as a commodity. It is this purchase that transforms his money and his means of production into capital. It is not until he puts the worker to work that labour-power becomes a source of surplus-value, but this surplus-value then does not belong to the worker but to the owner of the means of production. Surplus labour is for the worker just a condition for survival under this system.

- 3 The capitalist does not care much from where surplus-value derives, as long as it becomes profit for him. Bourgeois ideologists therefore do not work hard to explain the origin of profit but concentrate on justifying why the capitalist has the right to have this profit. One argument is that the profit is a *compensation for the capitalist who abstains from some consumption*. Investing money in means of production instead of luxury consumption is a kind of sacrifice. This is only done if it increases his values. It is this compensation

for postponed pleasure that motivates the capitalist to invest in productive activities.

However, the capitalist has no real choice. Competition forces him to accumulate rather than consume, if he wishes to survive as capitalist. If he wastes all his money, he becomes a wage-labourer too. Surplus-value does not come from the abstinence of the capitalist but from the fact that workers are prevented from having access to the surplus products they create. The capitalist can use this surplus to both increase his capital and at the same time have a more enjoyable life than the workers.

In brutal and satirical words that were less shocking than today, Marx pointed at a solution for the poor capitalists who have to sacrifice their enjoyment:

The simple dictates of humanity therefore plainly enjoin the release of the capitalist from his martyrdom and his temptation, in the same way as the slave-owners of Georgia, USA have recently been delivered by the abolition of slavery from the painful dilemma over whether they should squander the surplus product extracted by means of the whip from their Negro slaves entirely in champagne, or whether they should reconvert a part of it into more Negroes and more land.⁹

- 4 Yet another justification of profit is as *reward for taking risks*. By using his money as capital, the capitalist takes a risk, since valorisation cannot be guaranteed in advance. Problems may arise in the circulation process (lack of suitable raw materials or an unfavourable market situation when trying to sell the produced commodities) as well as in the production process (accidents or strikes). Profit is sometimes regarded as compensation for daring to take such big risks.

This idea expresses the point that not even the ruling classes are safe in a capitalist society based on exploitation, competition and class struggle. However, in the production process, the worker certainly is in much greater danger than the capitalist. When the capital reproduction process stagnates, it is the worker who is fired, not the capitalist. Workers are the victims of accidents, while the factory owners usually have good insurance. It is true that the capitalist risks having to sell products under their value, but he also has a great chance to sell them at or even above their value. The market situation determines whether he can keep the surplus-value squeezed out of the workers or if he has to share a part of it with those who buy the commodity products. Again, the individual capitalist's dependence on market risks will continue until workers put an end to their dependence upon capital!

- 5 A final ideological way of justifying capitalist profit is to redefine it as *wage for the capitalist*. Somebody has to take responsibility for industrial management, planning and organisation. When these leading functions are secured by the capitalist, he invests his precious labour-power every single day in order to make sure the company works. Many managers live under great stress and

make big efforts. They must also reproduce their qualified labour-power, and profit is just a wage for managerial work.

Advanced production processes rely on strict division of labour, necessitating co-ordinating functions of surveillance, control and command that serve to enhance the valorisation process and thus exploitation. These functions do not create any value. The labour that consists of planning and organisation of the labour process does contribute to the product value, but only with an amount corresponding to the actual working time it takes, which is negligible compared to the surplus labour the capitalist appropriates from his employees. The capitalist does not sell his labour-power. His income is taken from the surplus-value created by the workers he employs. The overwhelming part of his working day is not spent on producing value but on exploiting others, making it possible to lay his hands on surplus-value to accumulate. What this capitalist effort creates is not surplus-value, but a way of assuring that the amount of surplus-value produced by his workers leads to a larger rate of profit. It does not increase the amount of surplus-value, but only possibly reduces the relative costs of means of production (c) and labour-power (v), so that the rate of profit $s/(c + v)$ is maximised, which is the aim of his competition with other capitalists.

Joint stock companies express a rational kernel in the idea of profit as wage for capitalist efforts. In such companies, nobody personally owns the capital and functions as a capitalist in the above sense. Instead, all employees, from the labourer to the head manager, represent labour-power that is bought on the market. 'Capitalist production has itself brought it about that the work of supervision is readily available, quite independent of the ownership of capital. It has therefore become superfluous for this work of supervision to be performed by the capitalist'.¹⁰ It seems in some places as if Marx may have considered this to represent a step towards the abolition of capitalism, since it made capitalists superfluous, but history has shown that capitalism can also thrive quite well without the personifications of capital, when the institutional logic of capital accumulation has been fully established.

Marx's *Theories of Surplus-value*, written in 1863 as a draft for *Capital*, makes an *ideology critique* of bourgeois political economy: a critique of the ideologists' efforts to explain the 'real' political economy of capitalist society. *Theories of Surplus-value* has been regarded as a draft for the planned Volume IV of *Capital*, but has more recently been seen as just part of the research process for the published Volumes I–III.¹¹ This extensive text thus gives a glimpse into Marx's research workshop and the pre-history of his own concepts, offering useful clues as to how to understand his theories. The critique of dominant ideologies needs to be continually renewed, since the more concrete forms of consciousness on the surface of society are dynamic and change over time. This has also been done, not least in relation to reformism in the labour movement and to new consumerist traits in late capitalism.

In the twentieth century, lots of theoretical work tried to develop Marx's theory of ideology, including for instance Hungarian György Lukács's

(1885–1971) studies of reification and class consciousness, Italian Antonio Gramsci's (1891–1937) theory of hegemony and the 'ideology critique' developed by the first generation of 'Frankfurt School' critical theorists, notably Theodor W. Adorno (1903–1969) and Walter Benjamin (1892–1940). Since the 1970s, a rich stream of work has continued this trend, including British cultural studies with Stuart Hall (1932–) and many others, German theory of modernity and the public sphere with Jürgen Habermas (1929–) and Oscar Negt (1934–), and French discourse analysis from Michel Foucault (1926–1984) to Ernesto Laclau (1935–) and Chantal Mouffe (1943–). In general, ever since Marx, theories of ideology tend with shifting emphasis to combine two aspects of what ideology means: on the one hand, false consciousness and, on the other hand, some kind of world-view that serves as an unavoidable horizon for interpreting society. The presentation of Marx's analysis of ideological forms, from commodity fetishism to the trinity formula, shows that, though he mainly focused on the critical aspect, he also allowed for a measure of the other perspective.

The historical character of capitalism

In connection with primitive accumulation, a quick glimpse back at history serves to underline how much society has changed with the establishment of capitalism. It is now also clear that capitalism itself creates the widespread idea that these changes are only quantitative, implying that capitalism has always existed and therefore will also always exist. Marx criticised bourgeois economists' love of presenting so-called '*Robinsonades*', where Daniel Defoe's (c. 1660–1731) novel *Robinson Crusoe* (1719) was used to illustrate how wage-labour and accumulation grew 'naturally' from the human interplay with nature and with other human beings, and how the rest of history was merely a technologically driven quantitative growth process, whereby modern capitalism gradually ripened out of its more 'primitive' origins.

The background to such *Robinsonades* is that the fetishes of capitalism feel so self-evident and natural that it is hard not to ascribe similar characteristics to all other modes of production as well. By thinking in analogies one can easily integrate every form of society into capitalist categories. It is for instance tempting to recognise the principle of equivalent exchange in the most shifting societies, or to identify the incomes of producers with wage for labour – even when the society studied may perhaps never have known any kind of wage-labour. Tools and machines are identified as capital, which thereby is seen as a universally human phenomenon. The whole trinity formula can equally easily be projected onto societies where it is far from relevant. Non-capitalist modes of production are thereby 'subsumed' (subordinated and formed) under capitalist categories. This happens both in people's everyday understandings and in the colonial social life.

For labour, the wage-form made all labour appear as if it were paid, and all wage-labour appeared to be comparable, so that only the wage size distinguished

Bill Gates from his workers. The wage fetish makes wages appear as the value and price of labour, which is quite false. If the wage was determined by the living labour performed, then a day's work would be worth a day's salary, and a day's salary worth a day's work. In such a meaningless circle argument, profits appear to derive not from labour but from machines, circulation or some other aspect of the ingenuities of capital. If labour rather than labour-power is seen as the basis of wages, the historical specificity of wage-labour is erased, and labour is just understood as a pure labour process that produces use-values in an ahistorical exchange between man and nature. Labour is dehistoricised and appears as if it was always wage-labour.

For capital, the material conditions of labour also lose their historical specificity. Capital is no thing, but a process and a determined relation of production. Capital is not the sum of the material conditions or means of production, as little as gold and silver as such are money. But the fetish character of capital makes it appear as either equal to its simple elements, commodity and money, or as its material constituents in the form of machines. Profit is thereby transubstantiated into a tribute of machines, if it is not ascribed to the exchange or circulation process and the operations of the market.

Finally, the form of ground-rent lends land an almost supernatural capacity for creating money. Land itself seems by nature to be monopolised by land-owners. In the labour process of all societies, concrete labour encounters work objects as utilities and land as a foundation. That the ownership of land gives monetary incomes appears as natural as the fact that a fertile soil gives larger crops. Again and again, *formal determinations* are erased, as value and use-value are mixed up at every level. Much capitalist critique remains half-hearted, by only aiming at limited aspects of society and leaving others untouched. It is often the distribution of wealth that is seen as unfair and historically limited, while the mode of production is seen as immutable and neutral, since it is supposed to just depend on a combination of human and surrounding nature. This gives rise to the dream of retaining capital but abolishing capitalists.

Marx's analysis of capitalism instead shows that this is a highly specific mode of production that requires a certain level and form of the productive forces in society. This requirement is a result of a preceding historical development, culminating in primitive accumulation. Once established, capitalism creates the preconditions of yet a new mode of production. Both the relations of distribution and of production are historically specific and transient. Relations of production form relations of distribution as well as a series of political, ideological and cultural forms with which they continually interact, and which are equally transient and non-natural.

Two aspects characterise the capitalist mode of production.¹²

- 1 It produces its products as *commodities*. This implies that work takes the form of wage-labour and labour-power is a commodity. Capitalists and workers are personifications of capital and wage-labour: they are products of these specific societal relations of production. All ruling classes have not been

capitalists, and all productive classes have not been wage-labourers. In capitalism, products have commodity form and commodities are products of capital, which implies commodity fetishism, whereby human and material relations are reversed. The specific form of value introduces a whole chain of such distortions, where the inner law of capitalism enforces itself only through mutual competition between capitalists:

It is only as an inner law, a blind natural force *vis-à-vis* the individual agents, that the law of value operates here and that the social balance of production is asserted in the midst of accidental fluctuations.

What is also implied already in the commodity, and still more so in the commodity as the product of capital, is the reification of the social determinations of production and the subjectification [*Versubjektifizierung*] of the material bases of production which characterize the entire capitalist mode of production.¹³

- 2 Production of *surplus-value* is the direct aim and motive of production. Capital produces capital, through the production of surplus-value that is accumulated. The necessity of minimising cost prices is 'the strongest lever for raising the social productivity of labour, though this appears here simply as a constant increase in the productivity of capital'. As personified capital, the capitalist's function in the immediate production process differs greatly from that of slave owners or feudal lords. Their power relied on politics and religion, and the open and often violent exercise of power guaranteed their dominance. Their aim was precisely the exercise of power and personal pleasure. In contrast, capitalists fetch all their authority from their function as 'the personification of the conditions of labour *vis-à-vis* labour itself'.¹⁴ Anarchy and competition rule the relations among capitalists, which they try to check by co-operating in state institutions. The necessary social conditions of production appear to the individual capitalists only as a superior natural law. They are forced to aim at the self-valorisation of value, to which the satisfaction of their own needs is subordinated.

In order for any mode of production to be reasonably stable, it must guarantee its own reproduction. In pre-capitalist societies, this often demanded a considerable amount of personal power exercise or a uniting ideological cement. In capitalism, the reproduction of society is to a larger extent secured through the very forms of production themselves, 'the economy'.

The secret reason why these products of the dissolution of commodity value constantly appear as the premises of value formation itself is simply that the capitalist mode of production, like every other, constantly reproduces not only the material product but also the socio-economic relations, the formal economic determinants of its formation. Its result thus constantly appears as its premise, and its premises as its results. And it is this

constant reproduction of the same relationships which the individual capitalist anticipates as self-evident, as an indubitable fact.¹⁵

The capitalist mode of production thus ‘not only produces the material products, but constantly reproduces the relations of production in which these are produced, and with them also the corresponding relations of distribution’.¹⁶ The final part of *Capital* Volume III several times returns to Marx’s vision of a post-capitalist transition to something else.

In so far as the labour process is a simple process between man and nature, its simple elements remain common to all social forms of its development. But each particular historical form of this process further develops the material foundations and social forms. Once a certain level of maturity is attained, the particular historical form is shed and makes way for a higher form. The sign that the moment of such a crisis has arrived is that the contradiction and antithesis between, on the one hand, the relations of distribution, hence also the specific historical form of relations of production corresponding to them, and, on the other hand, the productive forces, productivity, and the development of its agents, gains in breadth and depth. A conflict then sets in between the material development of production and its social form.¹⁷

Marx only hinted at some general principles for how such a different, post-capitalist future could perhaps take form. These visions will be further discussed in the next chapter.

Notes

- 1 *Capital I*: 711–712 (Chapter 23).
- 2 *Capital III*: 953 (Chapter 48).
- 3 *Capital III*: 956 (Chapter 48).
- 4 *Capital III*: 968 (Chapter 48).
- 5 *Capital III*: 968–969 (Chapter 48).
- 6 The discussion of ideological themes builds on Autorenkollektiv Marx-Arbeitsgruppe Historiker (1968/1971: Chapter 6).
- 7 *Capital I*: 367 (Chapter 10).
- 8 *Capital I*: 757 (Chapter 24).
- 9 *Capital I*: 745 (Chapter 24).
- 10 *Capital III*: 511 (Chapter 23).
- 11 Heinrich (2011).
- 12 *Capital III*: 1019 (Chapter 51).
- 13 *Capital III*: 1020 (Chapter 51).
- 14 *Capital III*: 1021 (Chapter 51).
- 15 *Capital III*: 1011 (Chapter 50).
- 16 *Capital III*: 1019 (Chapter 51).
- 17 *Capital III*: 1023–1024 (Chapter 51).

15 Futures

This is the beginning of the end of this journey through Karl Marx's *Capital*. It is time to sum up and to look forward. This chapter will first summarise the path and present some of his visions of a post-capitalist future, then have a look at how Marxism developed with and after Marx and finally discuss some contested contradictions and ambiguities in Marx's theory itself.

Capital revisited

A condensed repetition helps to recall the totality of Marx's economy critique. It has followed the emergence of capital from simple commodity production and money, and then traced its development with more and more aspects added in order to understand the competition between those interests that split the total surplus-value of society. Key concepts were:

- 1 *Method*: Critique of political economy. Historical materialism. Essence/appearance. Inquiry/presentation. Abstract/concrete. Real abstraction. History/logics. Dialectics.
- 2 *Labour*: The dual character of labour: concrete/abstract labour.
- 3 *Commodity*: The dual character of the commodity: use-value/value.
- 4 *Exchange*: Basic conditions of commodity production. Production/circulation/distribution/consumption. Exchange-value. Commodity fetishism. General equivalent.
- 5 *Money*: Value measure, means of circulation, means of saving. Money fetishism.
- 6 *Capital*: Simple/capitalist commodity production. Labour-power as a commodity – its value and use-value. Surplus-value. Labour process/valorisation process. Wage and its forms. Wage fetishism. Constant/variable capital. Rate of surplus-value and of exploitation. Absolute/relative surplus. Formal/real subsumption. Capital fetishism/character masks/reification/alienation. Classes and class struggle. State legislation and reformism.
- 7 *Production*: Co-operation/manufacture/industry. Extra surplus-value. Simple reproduction/capital accumulation. Value/technological/organic composition.

- Extensive/intensive capital accumulation. Centralisation/concentration. Primitive accumulation.
- 8 *Circulation*: Sphere/circuit of circulation. Money/productive/commodity capital. Circulation/turnover time. Production/function/labour-time. Fixed/fluid capital. Moral depreciation. Annual rate of surplus-value. Productive/unproductive labour. Simple/expanded reproduction. Department I/II. Conditions of equilibrium.
 - 9 *Profit*: Competition. Capital in general/the level of many capitals. Rate of profit. Cost price. Production price. Average rate of profit. Competition between/within branches. Extra profit. Market value. Market price. Market price of production. Productive forces. Civilising influence of capital. Tendency of the rate of profit to fall. Counteracting factors. Crisis.
 - 10 *Trade, banks and land*: Commercial capital: commercial profit. Interest-bearing capital: interest. Interest rate. Credit system. Inflation. Ground-rent: differential rent, absolute rent. Monopoly prices. Revenues. The trinity formula.

Concepts 1–7 were covered in Volume I, 8 in Volume II and 9–10 in Volume III. This can be fleshed out a little bit, with the help of other texts where Marx outlined his understanding.

Production and commodities

What keeps people alive? *Labour, production*. Humans work to produce what they need for living. They live among and by the products of past labour with natural resources.

In capitalist society, this production is organised in a particular way, and the products of labour are given a particular economic *form*. We live among and by *commodities*, yes also for commodities: most people sell their labour-power as a commodity, in order to then work on producing commodities for others.

Division of labour, private ownership and exchange are the basic conditions of commodity production. The division of labour separates different labour processes and allocates them to specific individuals and social groups. Private property places the means of production and the products in the hands of producers or capitals. The exchange then distributes the private commodities from their producers to their consumers. Circulation and production are separated from each other. This is further explained in a passage from the *Results of the Immediate Process of Production*:

As the elementary form of bourgeois wealth, the *commodity* was our point of departure, the prerequisite for the emergence of capital. On the other hand, *commodities* appear now as the *product of capital*.

The circular nature of our argument corresponds to the *historical development* of capital. Capital is predicated on the *exchange of commodities, trade in commodities*, but it may be formed at various stages of production, common to

all of which is the fact that capitalist production does not yet exist, or only exists sporadically. On the other hand, a highly developed commodity exchange and the *form of the commodity* as the universally necessary social form of the product can only emerge as the *consequence of the capitalist mode of production*.

However, if we consider societies where *capitalist production* is *highly developed*, we find that the commodity is both the constant elementary premiss (precondition) of capital and also the immediate result of the capitalist process of production.

Both money and commodities are elementary preconditions of capital, but they develop into capital only under certain circumstances. Capital cannot come into being except on the foundation of the circulation of commodities (including money), i.e. where trade has already grown to a certain given degree. For their part, however, the production and circulation of commodities do not at all imply the existence of the capitalist mode of production. On the contrary, as I have already shown, they may be found even in 'pre-bourgeois modes of production'. They constitute the *historical premiss* of the capitalist mode of production. On the other hand, however, once the commodity has become the *general form of the product*, then everything that is produced must assume that form; sale and purchase embrace not just excess produce, but its very substance, and the various conditions of production themselves appear as *commodities* which leave circulation and enter production only on the foundations of capitalist production. Hence if the *commodity* appears on the one hand as the premiss of the formation of capital, it is also essentially the result, the product of capitalist production once it has become the *universal elementary form of the product*. [...]

We see here how even economic categories appropriate to earlier modes of production acquire a new and specific historical character under the impact of capitalist production.¹

In retrospect, this gives a welcome motivation for starting the economy critique with the commodity. Human production is always a production of useful goods, of use-values, and of human relations, yes, of society itself. Under capitalism, production generally becomes: (1) production of commodities; (2) production of (value and) surplus-value; and (3) production of capital and the whole capital-relation (which includes labour).

Dialectics

The dual character of a series of central concepts, starting with the commodity and money, is as central and typical of Marxism as it is of capitalism. *Capital* always stresses the importance of analysing *forms*: to see precisely how the contradictory aspects of categories relate to each other. Human products take on *commodity form*, as they carry an explosive inner contradiction between use-value and value. The *value form* implies that the value side strives to dominate the use-value side. Even in simple exchange, the value makes use of the concrete

use-value format of (other) commodities to express itself, so that the use-values become forms of appearance for their opposites, values. This *fetish character of the commodity* is further developed through all stages and levels of the presentation.

It is the dual character of these categories – the inner contradictions of capitalism – that propels the dynamics of this society, by leading to a series of new categories at higher and higher levels of concretion, as forms for the inner contradictions to move in. But it is also this dual character that blinds our consciousness and breeds illusions of society, caused by distortions and fetishes that are reproduced by the economic processes in society itself.

The specific relations between concrete and abstract labour, between use-value and value, etc., are both important and difficult to fully grasp, as these relations between the two poles of basic contradictions also help explain our routinized but false understandings. Marxist theory offers a unique method for conceptualising these forms in terms of contradictions and dual characters that dynamically lead to a never-ending series of new forms.

This *dynamic*, this incessant movement, breeds a logically coherent *system* – both *in reality: capitalism*, and *in theory: Marxism*. Both these systems are open, not closed: they point out of themselves to a different future. It becomes important to follow the *transitions* between various concepts and *levels of abstraction*. These transitions are of a shifting nature. They may sometimes be a matter of an almost arbitrary path of inquiry, as research analysis strives to get beyond and below the apparent impressions to underlying, more abstract and essential relations. On other occasions, it is rather a series of parallel presentations, for instance when Volume I, having dealt with the production process, is in Volume II followed by the investigation of the circulation aspects of ‘capital in general’. However, truly conceptual transitions are rather those where abstract categories by their own movements give rise to more concrete determinations, for instance when values give rise to exchange-values, when commodities open up for money, when the interlaced movements of commodities and money lead to capital, or when (in Volume III) the dual character of capital necessitates further formal determinations through competition between different capitals.

By the end of Volume I, Marx has already presented the basic contours of *capital as a totality*, which is then further specified through the analysis of circulation in Volume II.

This organic system itself, as a totality, has its presuppositions, and its development to its totality consists precisely in subordinating all elements of society to itself, or in creating out of it the organs which it still lacks. This is historically how it becomes a totality.²

The accumulation of capital produces the industrial reserve army, which in turn forces the working class to continue selling its labour-power to industrial capital. In this way, capital recreates its own condition and creative foundation: wage-labour. When capitalism appears in the industrial world, as well as when it intervenes in colonies, capital accumulation gradually takes over the functions

initially served by the violent primitive accumulation: to by force create a class of wage-labourers by expropriating land and means of production from the immediate producers, creating capitalist forms of landowning and gathering large values in the hands of the capitalist class.

As a total process, capital reproduces its initial conditions, when it has been established in the world as the dominant mode of production. It keeps workers dissociated from the means of production, produces use-values in commodity form, etc. In this way, the capital-relation lays the foundation of a new and relatively stable historical stage – the capitalist mode of production.

Upside-down

With capital, value has transformed itself into an autonomous, acting and creating subject. ‘The objective conditions essential to the realization of labour are *alienated* from the worker and become manifest as *fetishes* endowed with a will and a soul of their own. *Commodities*, in short, appear as the purchasers of *persons*’.³

Capital is not a *thing*, any more than money is a *thing*. In capital, as in money, certain *specific social relations of production between people* appear as *relations of things to people*, or else certain social relations appear as the *natural properties of things in society*.⁴

‘Capital and wage-labour (it is thus we designate the labour of the worker who sells his own labour-power) only express two aspects of the self-same relationship’.⁵ ‘*Capital* utilizes the *worker*, the *worker* does not utilize *capital*, and only *articles which utilize the worker* and hence possess *independence*, a consciousness and will of their own in the capitalist, are *capital*’.⁶ ‘Hence the rule of the capitalist over the worker is the rule of things over man, of dead labour over the living, of the product over the producer [...] the inversion of subject into object and *vice versa*’.⁷

Words like alienation, reification and fetishism express these basic traits of capitalism. *Commodity fetishism*: social relations (value) appear as relations between things, commodity use-values, so that the social relations are reified and the commodity objects get (super)human characteristics. Subject and object switch roles. *Money fetishism*: these societal characteristics of value get stuck and crystallised into the particular material use-value of a special commodity (gold or paper money).

The consequences of these fetish forms are obvious in the case of the *wage-form*. Labour-power is exchanged for a wage. The value of labour-power thereby appears through the use-value of the wage, i.e. in the form of a certain amount of money (to be then exchanged for means of subsistence). At the same time, the value of the wage expresses itself in the use-value of the labour-power, i.e., the capability of working for a specific amount of time. It therefore appears as if an amount of money is exchanged for a certain labour. Thereby, all labour appears to be fairly paid for. When surplus-value then arises, the wage-form

helps to conceal its source in labour, and instead ascribes valorising powers to capital: its machines or the skills of capitalists when trading the products in circulation, etc.

It is commonplace to identify capital with (1) its simple constituents, money and commodities; (2) its use-value elements in the means of production, in particular the machines; or (3) its social bearers, the capitalists, as individuals, instead of just as character masks. All these three understandings engender confusion, including in the Left.

When the basic mechanisms of the capitalist production process mix up values with use-values behind the backs of the workers, capital transforms itself into a subject, a driving motor, a blind force outside human control. In this way, the valorisation processes push society forwards, seemingly independently of the will of individuals. Before capitalism, working people stood up against the power and will of the ruling classes, as subjects against subjects. In capitalism, the subordinated subjectivity of the workers now opposes a far more abstract dominating reified subjectivity based in capital, with capitalists as its personification.

Capital expands and subsumes more and more spheres of life as well as world regions. This is described by the concepts of formal and real *subsumption* and is best illustrated by the transition from absolute to relative surplus-value production. Thus capital functions as an expansive, forming and steering subject, as a driving motor in societal development.

Production and circulation

Capitalist production results in *commodities*, but the only reason why capital is engaged in production is that these commodities contain materialised surplus labour: *surplus-value*. In simple circulation, commodities are transformed into money and back again into new commodities.

But these commodities are at the same time the depositories of capital; they are capital that has been valorized, impregnated with surplus-value. And in this respect their circulation, which is simultaneously the reproduction process of capital, entails further determinations alien to the abstract description of the circulation of commodities. For this reason our next task is to turn to an examination of the *circulation process of capital*.⁸

This is what Marx does in Volume II. In order to understand how capitalist production produces not just (1) commodities and (2) surplus-value, but also (3) capital itself, as a continuous process, it is pivotal to investigate the mutual movements and interactions between commodities: their circulation, seen as the circulation process of capital.

Profit and prophesy

Volume III then moves a step ahead and returns to the total process of capitalist production and circulation. It goes from capital in general to scrutinising the

competition between many individual capitals. First, it shows how competition between branches must lead to the formation of an *average rate of profit* and of *production prices* that are the sum of *cost prices* (capital investments in labour-power and means of production) and an increment that corresponds to this average rate of profit. Competition here assures that capital is allocated to different branches roughly in relation to societal needs for their products.

The competition *within branches* is different. It leads to a continuous development of *productive forces*, and to the formation of *market values*, since all commodities of the same kind must have the same value. These again are transformed into *market prices* through the temporary effects of supply and demand. The *market price of production* is the result of a levelling over time: an average market price that gives the average rate of profit.

At this point, Marx again takes up his theory that *the average rate of profit has an inevitable tendency to fall*. This result of profit maximisation strategies indicates how capital tends to erode its own basis, and is the ultimate cause of recurrent capitalist *crises*.

Revenues and ideology

Volume III then introduces a series of specialised capitalists as well as other unproductive figures who manage to conquer shares of the total profit in society. First come trade, merchants and *commercial capital*, dealing with necessary but unproductive tasks in the sphere of circulation. These circulation costs plus a standard *commercial profit* are paid for by complex transferences from the total surplus of industrial capital. Second comes usurers, banks and credit systems, where *money capital* also gets a share of society's total profits in the form of *interest*.

Third and last, Marx presents *landowners* who are able to monopolise land or other use-values and thereby force industrial capitalists who want to use these natural resources to pay for the use with various forms of *ground-rent*. *Differential rent* goes to the lands that are more fertile than others, while *absolute rent* also falls on even the worst piece of land that is used for a capitalist activity. In passing, Marx here also briefly mentions other kinds of monopoly, but never develops this much further.

The final part of Volume III deals with the so-called *trinity formula*, which forms the basis of a further development of bourgeois *ideology*, in which interest is a fair income or *revenue* for capitalists, ground-rent for landowners and wage for wage-labourers. The trinity formula thus lays the ground for an analysis of ideology, but also of the three main classes of modern capitalism. Unfortunately, this is where *Capital* ends, but Marx had plans for how it was to be continued. His unfinished notes for *Theories of Surplus-value* (1863) expanded on a critical analysis of the bourgeois ideologies formulated by his own forerunners, the political economists. There, he also listed the main subjects he intended to follow but never got time to write about: the classes, the state, foreign trade, the world market and the crises.

Social classes

Chapter 52, the very last of Volume III, is just a brief and not very illuminating page that was meant to open up for an analysis of *social classes*. Classes were even earlier determined as kinds of stabilised or petrified character masks: personifications of different functions in the total capitalist process of production and circulation. Marx at the end again argues that what fundamentally constitutes a class is the relation that groups of people have to this basic economic process. But besides stating that wage-labourers, capitalists and landowners are the three main classes in modern society, not much more is offered in terms of a true class analysis.

How to determine the extent of the working class? Marx now and then differentiated between productive and unproductive labour, but it is never quite clear under which conditions different groups of wage-labourers belong to which main social class. The petty bourgeoisie combines traits of capitalists and workers, in ways that are reminiscent of pre-capitalist simple commodity production, as they take part in concrete labour that produces value but not surplus-value, since they at the same time own their means of production and sometimes also have bought labour-power from a few employees. They are thus in an intermediary position of both labouring and exploiting. Even more difficult to locate in the class system are the rapidly growing 'middle classes' or intermediary strata who often perform a mixture of productive and unproductive services for either private capital or the state. They do not own any capital and many of them do not create any surplus-value, but they still perform necessary functions in capitalism. Marx mentioned for instance how joint stock companies in a way seemed to abolish capitalists and make even the managerial staff wage-labourers, but it never crossed his mind that these organising and commanding functions would have anything to do with working-class status – on the contrary, these higher strata of employees were clearly seen as loyal allies to the capitalist class. As hired representatives of capital, they take on the capitalist character mask – what Pierre Bourdieu would probably call 'habitus', or set of dispositions to act and think in ways that affirm one's social position.

The state

The discussion of reformist ideologies in the labour movement points to a need to understand the *state*. This issue has really become central for later Marxist theoreticians. On the one hand, reformism made a main point of conquering state power through general election and then using the state as an instrument for improving life conditions of the working class. This was not Marx's idea, and it was heavily criticised by many Marxists, including the revolutionaries that followed in Lenin's footsteps. But the failed experiments of building post-capitalist societies in Russia, China and other 'Communist' countries were also mainly based on transforming the state into a tool for revolutionising the whole society, with catastrophic results.

On the other hand, the bourgeois state has had a very important role in the further development of the capitalist mode of production. Not least the Great Depression in the late 1920s and early 1930s forced many nation states to become much more active in crisis management. John Maynard Keynes (1883–1946) went against the old free market liberals and ‘Keynesianism’ became the term for social liberalism’s and social democratic strategies to give the state an active role in getting the economy on track through public investments in infrastructure and other measures against unemployment. In various versions, this has become the most widespread form of state governance, even though it has been under attack from neoliberals since the 1980s.

In the 1970s, an extensive German theoretical debate with Elmar Altvater, Christel Neusüss and others tried to develop a more complex understanding of the modern state functions, based on Marx’s method.⁹ One argument was that the relative autonomy of the state in relation to individual capitals depends on a shared interest of all capitals in keeping capitalism going as the dominant mode of production. Just like the three classes of the trinity formula seemed to share an interest in reproducing the system that allowed each of them to receive their respective revenues, individual capitals also had need for a state apparatus that could defend the shared interests in smooth reproduction of capitalism as a total system.

Some main functions of this state apparatus may be listed.

- 1 As a *law* enforcer, the state secures private ownership and free competition in the market. Its police and military monopolise the use of physical violence in society and protect the basic laws of commodity production.
- 2 The state has to *regulate the conflict between wage-labour and capital*, by using the same policing forces and the judicial system. The more capitalism runs into difficulties, the more important it becomes for the state to use various form of income politics to try and prevent these conflicts from deepening the capitalist crisis.
- 3 The state also stands for *the interests of national total capital in the international arena*, with a combination of currency policies, diplomacy and warfare.
- 4 The state guarantees the production and maintenance of the *general material conditions of production*, in the form of infrastructures for energy provision, transport and communications. These infrastructural resources are necessary for all capitalist production and, in historical phases where individual capitals cannot profitably deliver them, the state comes in to provide them.
- 5 The state finally also has to provide other general but more ‘subjective’ or soft conditions of production related to schooling, education, science and various forms of (child, health and age) *care*, as means of reproducing labour-power.

The bourgeois state is able to take on all these functions because it stands free from the demand for valorisation that governs all individual capitals. The state is thereby relatively autonomous from the individual and mutually competing capitalists, and this is precisely why it can best guarantee the continued existence of

capitalism and total capital as a whole. Refining this state theory makes it possible to ground the form of the state as, for instance, a parliamentary democracy in the shared interests of the revenue owners in the trinity formula.

Foreign trade and the world market

Foreign trade and the *world market* further modify the tasks of the state, and there is of course very much to say about the progressing phases of imperialism. Marx saw the emergence of a global market as one of capitalism's progressive or civilising effects. Never before have global communications of people, goods and information been so far-reaching, all-encompassing, dense and multi-faceted. But the world market also creates global forms of oppression and exploitation, with 'under-development' forced on the poor South and East by the capitalist world system.¹⁰

The global arena is the stage for a wide range of actors on several levels, which makes the analysis here extremely complex. Both individual capitals, national states and trans- or supranational organisations are intertwined, with far from transparent results. The mechanisms that, in spite of more or less free competition, produce an uneven distribution of wealth between not only different social classes but also different world regions may be explained by a combination of arguments, partly related to factors such as ground-rent. The global division of labour was for long relatively static, with the North and West – Europe and North America – standing against the South and East – Africa, Asia and Latin America. With the post-colonial phase, where traditional colonial empires have been dissolved, new alliances and patterns emerge that demand renewed theoretisation.

Marx's own position has been critically debated in the recent 'post-colonial' debate. Kolja Lindner has recently shown that, while his 1850s' work on India tended to be Eurocentric, by positing Western Europe as the superior norm of capitalist development and regarding non-Western regions as standing on inferior steps on a universal ladder of progress, he later learnt from studying Ireland and Russia, which made it possible to get away from that Eurocentric point of view.¹¹ The late Marx thus managed to realise how colonialism really had no civilising mission anywhere, that Eastern societies had forms of communal ownership that could inspire socialist movements also in the West and that there might be other and equally relevant paths to modernity than that of Western Europe.

Crises

The *crisis cycle* has been briefly presented in connection with the falling tendency of the rate of profit, but not until the state and the world market have been studied will it be possible to more thoroughly investigate the intricate mechanisms and causes of crisis in capitalism.¹² Some have tried to refine the analysis of the falling rate of profit or to study the effects of state intervention on crisis

management; others have differentiated between crisis cycles on various temporal levels, from short cycles roughly every decade through 'long waves' comprising a set of cycles based on a similar dominant mode of accumulation to the long-term development of capitalism through its early, high and contemporary-late phases.

Marxist theory never ends, as long as capitalism continues. On the basis of what Marx started, one may continue with a wide range of further subjects, in theories of consciousness and the subject; public spheres and mediated communication; culture, signifying practice and communicative action; post-capitalist transitions, etc. This is the future-oriented task that continues to challenge us.

Alternative futures

It should by now be clear why economy critique is so central to Marxism. The organisation of production is the foundation of societies, and it has a particular form in capitalism. The commodity form leaves its marks on use-values and, with the real subsumption of widening spheres of life under capital, the economical foundations tend to frame and shape the conditions for all human activities, creating their modern forms, as 'the *relations of production* themselves create a new relation of *supremacy and subordination* (and this also has a *political* expression)¹³. Classes are formed as bearers of economic categories (wage-labour and capital, etc.). Class struggle is propelled by economic contradictions. Forms of consciousness arise from the patterns of action that take place in production.

This again reminds us of Horkheimer's words that 'the problem of what is called economism does not consist in taking the economic as too important but comprehending it in a too narrow sense'.¹⁴ The economy does not determine everything, but it frames the conditions for close to every human phenomenon. This may sound depressing. Where are the alternative possibilities for the future?

Economy critique feeds resignation only if one initially hoped to be able to jump out of the contemporary society and stand free beside it. We remain stuck in capitalism, but still not forced to give up, since this capitalism is filled with inherent contradictions that not only reproduce new forms of exploitation and repression, but also new emancipatory potentials. Marx argues that capitalism is the first time in history that the possibility of socialism is grounded in real societal tendencies. The critique of political economy forges a key to revolutionary theory. Marxism helps make emancipatory utopias more concrete and anchored in real, material and social forces, instead of hovering above in the blue sky as abstract ideals.

The incessant forward movement of capital, overriding all obstacles in the chase for profits, has a dual character. On one hand, it sets free an enormous societal productivity. For the first time in history, it installs a constant pressure on the forces of production. The hunger for profits steadily revolutionises production, with new and more efficient methods. The globalising movement of capital also links the whole world into a global totality, an interconnected system. Never before have the material and symbolic communication networks been more dense and far-reaching. Capital's subsumption of widening life

spheres also unites human needs into a densely interconnected system. Marx argues that capital has a *civilisatory tendency*: it creates the conditions and possibilities for a liberation of humankind from traditional subjugation under authoritarian forms of rule and from a blind dependency on natural forces.

But, if capital diminishes the superiority of nature over the human species, it simultaneously becomes a new fetter of humanity: a '*second nature*'. The reverse side of the movement of capital is a series of deepening *crisis*, war and destruction. Capital thereby threatens its own existence, sadly enough together with that of the whole of humanity and life on earth. Intimately interlaced with productive forces, capital gives rise to *destructive forces* of unprecedented size and kind, which are increasingly difficult to control. Climate change is but one of many recently debated examples of this scaring dialectic.

Capital is an insidious subject: both progressive and self-destructive. Marx firmly believed that, with its crisis tendencies, capital digs its own grave. How much else that will one day be buried with capitalism depends on the ability of people to make use of the potential tools for liberation and emancipation that simultaneously occur? The alternatives, 'socialism or barbarism', coined by Rosa Luxemburg, is a famous expression of this radical bifurcation.¹⁵ Luxemburg presented the phrase by means of a false quote from Friedrich Engels, but the idea of a radical choice between the socialist alternative and the disastrous continuation of crisis-laden capitalism was expressed in several works by Marx and Engels, from the *Communist Manifesto* to Engels's late texts. The crisis of capitalism is twofold. On the one hand, it threatens us all with annihilation. On the other hand, together with the civilisatory tendency of capital, it gives rise to epochal chances to realise those dreams of a free, equal and caring society that humankind has nourished since ancient times.

For capitalist relations to establish themselves at all presupposes that a certain historical level of social production has been attained. Even within the framework of an earlier mode of production certain needs and certain means of communication and production must have developed which go beyond the old relations of production and coerce them into the capitalist mould. But for the time being they need to be developed only to the point that permits the formal subsumption of labour under capital. On the basis of that change, however, specific changes in the mode of production are introduced which create new forces of production, and these in turn influence the mode of production so that new real conditions come into being. Thus a complete economic revolution is brought about. On the one hand, it creates the real conditions for the domination of labour by capital, perfecting the process and providing it with the appropriate framework. On the other hand, by evolving conditions of production and communication and productive forces of labour antagonistic to the workers involved in them, this revolution creates the real premisses of a new mode of production, one that abolishes the contradictory form of capitalism. It thereby creates the material basis of a newly shaped social process and hence of a new social formation.¹⁶

What is the use of the knowledge offered by economy critique? With terms from Marxist German philosopher Ernst Bloch (1885–1977), the sharp and critical scrutiny of the inner structure of capitalism could be called a ‘cold stream’ in Marxism. The ‘warm stream’ is then the equally necessary formations of utopian hopes and visions for a better life and a better society.¹⁷ Such dreams have always existed, but capitalism creates material and social conditions for making them real. Marxism was born as a critical theory of capitalism, pointing out the socialist germs sown in and by this society. Marxism anchored age-old socialist utopias in existing social tendencies and forces.

Marx used ‘socialism’ and ‘communism’ as terms for the goals of revolutionary class struggle in capitalism: the society that becomes possible when capitalism is sublated or overcome. Socialism is predominantly negatively determined, in terms of the abolishment, disappearance or reversal of the basic foundations of commodity production. But sublation also means rising to a higher level. The civilisatory traits of capitalism are not simply erased in a future, socialist society. Some possible traits in that future society may be discerned in the way that capitalism hints at certain potentials that it nourishes but at the same time also blocks from being fully realised.

Marx was wisely reluctant to describe socialism or communism in any greater detail. It is difficult to do so without involuntarily getting stuck in illusions and ideologies coloured by experiences of capitalism. And it is also in principle impossible to predict the future. If capitalism can be transcended, this also means that the abstract and blind mechanism of historical progress disappears, in favour of human beings becoming able to collectively form their own destiny, in an emancipatory process that is hard to grasp in advance. In *Capital*, Marx now and then hints at his vision.

Let us finally imagine, for a change, an association of free men, working with the means of production held in common, and expending their many different forms of labour-power in full self-awareness as one single social labour force. [...] The social relations of the individual producers, both towards their labour and the products of their labour, are here transparent in their simplicity, in production as well as in distribution.¹⁸

Already in the very first chapter, this passage introduces typical ideas of conscious, rational planning as a way of combining community with individual freedom. In Chapter 17, it is the length of the working day that leads to thoughts about necessary labour after capitalism:

Only the abolition of the capitalist form of production would permit the reduction of the working day to the necessary labour-time. But even in that case the latter would expand to take up more of the day, and for two reasons: first, because the worker’s conditions of life would improve, and his aspirations become greater, and second, because a part of what is now surplus labour would then count as necessary labour, namely the labour

which is necessary for the formation of a social fund for reserve and accumulation.¹⁹

Chapter 24 is one of many places where Marx argues that capitalism creates the material and social conditions for its own abolition:

[The capitalist] is fanatically intent on the valorization of value; consequently he ruthlessly forces the human race to produce for production's sake. In this way he spurs on the development of society's productive forces, and the creation of those material conditions of production which alone can form the real basis of a higher form of society, a society in which the full and free development of every individual forms the ruling principle.²⁰

In Chapter 16 of Volume II, the focus on need-oriented rational calculation as a substitute for blind competition for profits returns:

If we were to consider a communist society in place of a capitalistic one, then money capital would immediately be done away with, and so too the disguises that transactions acquire through it. The matter would be simply reduced to the fact that society must reckon in advance how much labour, means of production, and means of subsistence it can spend, without dislocation, on branches of industry which, like the building of railways, for instance, supply neither means of production nor means of subsistence, nor any kind of useful effect, for a long period, a year or more, though they certainly do withdraw labour, means of production and means of subsistence from the total annual product.²¹

Volume III contains several passages that open the way for post-capitalism, in particular towards the end. Here is an already quoted example from Chapter 46, where communal ownership is seen as alternative to private ownership of land:

From the standpoint of a higher socio-economic formation, the private property of particular individuals in the earth will appear just as absurd as the private property of one man in other men. Even an entire society, a nation, or all simultaneously existing societies taken together, are not the owners of the earth. They are simply its possessors, its beneficiaries, and have to bequeath it in an improved state to succeeding generations, as *boni patres familias*.²²

In Chapter 48, one of the longest such sections is found, developing an interesting conception of needs and labour in socialism:

Surplus labour in some form must always remain, as labour beyond the extent of given needs. [...] It is one of the civilizing aspects of capital that it extorts this surplus labour in a manner and in conditions that are more

advantageous to social relations and to the creation of elements for a new and higher formation than was the case under the earlier forms of slavery, serfdom, etc. Thus on the one hand it leads towards a stage at which compulsion and the monopolization of social development (with its material and intellectual advantages) by one section of society at the expense of another disappears; on the other hand it creates the material means and the nucleus for relations that permit this surplus labour to be combined, in a higher form of society, with a greater reduction of the overall time devoted to material labour. [...] The real wealth of society and the possibility of a constant expansion of its reproduction process does not depend on the length of surplus labour but rather on its productivity and on the more or less plentiful conditions of production in which it is performed. The realm of freedom really begins only where labour determined by necessity and external expediency ends; it lies by its very nature beyond the sphere of material production proper. Just as the savage must wrestle with nature to satisfy his needs, to maintain and reproduce his life, so must civilized man, and he must do so in all forms of society and under all possible modes of production. This realm of natural necessity expands with his development, because his needs do too; but the productive forces to satisfy these expand at the same time. Freedom, in this sphere, can consist only in this, that socialized man, the associated producers, govern the human metabolism with nature in a rational way, bringing it under their collective control instead of being dominated by it as a blind power; accomplishing it with the least expenditure of energy and in conditions most worthy and appropriate for their human nature. But this always remains a realm of necessity. The true realm of freedom, the development of human powers as an end in itself, begins beyond it, though it can only flourish with this realm of necessity as its basis. The reduction of the working day is the basic prerequisite.²³

In a comment on the political programme of the worker's party, the *Critique of the Gotha Programme* (1875), Marx gave a slightly different touch to this utopian vision:

What we have to deal with here is a communist society, not as it has *developed* on its own foundations, but, on the contrary, just as it *emerges* from capitalist society; which is thus in every respect, economically, morally, and intellectually, still stamped with the birthmarks of the old society from whose womb it emerges. Accordingly, the individual producer receives back from society – after the deductions have been made – exactly what he gives to it. [...] Here, obviously, the same principle prevails as that which regulates the exchange of commodities, as far as this is exchange of equal values. [...] Hence, *equal right* here is still in principle – *bourgeois right* [...]; the equality consists in the fact that measurement is made with an *equal standard*, labour. [...] This *equal right* is an unequal right for unequal labour. [...] It is, therefore, a right of inequality, in its content, like every right. [...] But these defects are inevitable in the first phase of communist

society as it is when it has just emerged after prolonged birth pangs from capitalist society. Right can never be higher than the economic structure of society and its cultural development conditioned thereby.

In a higher phase of communist society, after the enslaving subordination of the individual to the division of labour, and therewith also the antithesis between mental and physical labour, has vanished; after labour has become not only a means of life but life's prime want; after the productive forces have also increased with the all-around development of the individual, and all the springs of co-operative wealth flow more abundantly – only then can the narrow horizon of bourgeois right be crossed in its entirety and society inscribe on its banners: From each according to his ability, to each according to his needs!²⁴

Looking closer at such utopian formulations, some apparent tensions become visible. At the end of Volume III in *Capital*, Marx spoke of labour as always 'a realm of necessity' that could just be minimised by a shorter working day. In the *Critique of the Gotha Programme* he drafted a possibly more distant future where 'labour has become not only a means of life but life's prime want'. But this does not mean that labour can ever cease to be a burden for mankind: 'Labour cannot become play'.²⁵ These two different views on labour have continued to recreate contradictions between opposed currents of the Left: one more realistic, just hoping for a chance to diminish hard work by sharing it more equally; the other more visionary, envisaging a society where work would in some way fuse with pleasure.

It may be worthwhile to use the concepts of formal/real subsumption also on the transition to socialism. However, it is then the living labour and the working class that gradually reshape and control production, not capital. In a first phase, workers formally take power over production. Means of production and products become the shared property of the worker collective, and the forms of governance are democratised. But then the organisation of labour processes, machines and technologies, communications and the fine textures of everyday life still remain deeply formed by capital. Marx foresaw a long and difficult period where all this, including the ideas and mentalities of everybody, would have to be gradually restructured in an emancipatory direction. Remnants of capitalist formations would eventually erode, and all social processes would be directed towards the needs of people and their natural contexts. There would finally be a real subsumption of production under the workers.

The two phases of communism mentioned above in the long quote from *Critique of the Gotha Programme* are reminiscent of a common distinction made by later Marxists between socialism and communism. Communism derives from the Latin word *communis*, which means something shared that belongs to everybody, whereas socialism comes from the Latin *socius*, for companion. Both thus point at something owned or made collectively together with others. Marx did not make any quite clear and systematic differentiation between the two, but often wrote about 'socialism and communism' as if they were almost

synonymous. He usually described pre- and post-capitalist societies as communist, while movements and theoreticians were socialist, but at the same time he also belonged to communist organisations and at least depicted the awaited future society as having a socialist form. There have been numerous and divergent efforts to differentiate between the two concepts, but one of the most important has been in terms of a two-phase model of transition, with socialist society as a 'first phase' where most means of production were to be publically owned, but where still traits of class society remained, while the 'higher phase' would then have abolished both class differences and the state. This has since Marx been the subject of endless transition debates, tainted by the experiences of different socialist politics around the globe.

A related concept that has not yet been mentioned here but is well known in the public debate is that of the 'dictatorship of the proletariat'. It does not appear in *Capital* or any of the other key sources of Marx's economy critique. It is more of a polemic political phrase than a theoretically reflected concept. Marx (and other fellow communists) used it in a series of texts commenting on the class struggles in France from 1850 onwards, and then again after the Paris Commune in 1871.²⁶ After Marx, Engels and even more so the early twentieth-century Russian communists took it over and gradually changed its meaning to imply, rather, a party-based autocracy, but this was far from Marx's initial intentions. Until the late nineteenth century, 'dictatorship' was not the same as absolute despotism in opposition to democracy. In the ancient Roman Republic, it was a political institution of giving extraordinary rights for a limited period to an elected representative in times of crisis. In and after the late-eighteenth-century French revolution, dictatorship was widened from individuals to collectives, and it was in that spirit that Marx used the term to underline how post-capitalism needed to be based on the interests of the working class as a whole. He regarded it as a democratic form of rule in the transition period from capitalism, where the majority of the people simply had the state power against the individual interests of society's elite. The concept was mainly used in polemics with other political positions in working-class struggle and never systematically linked to the more theoretical models of societal transition in *Capital* or elsewhere. The problematic ways in which it later became used to legitimise authoritarian oppression certainly indicate its limitations, and many other formulations by Marx show that he basically conceived of post-capitalism in ways that cannot in any way be reconciled with these twentieth-century autocracies.

Marx drew many more conclusions, particularly after the Paris Commune in 1871. This was a short-lived but extremely rich and inspiring effort to build a workers' state in a Paris besieged by German troops. The Paris Commune took several steps towards transforming the bourgeois state apparatus. It installed rotation for the leading positions; civil servants who had the same salary as workers, were democratically appointed and could at any time be dismissed if they lost the confidence of the public; a democratic people's army; and a series of economic reforms. The experiment was brutally crushed by the French bourgeoisie supported by Bismarck.

Later revolutionary experiments have added new experiences, sometimes of utopian character, but sadly mostly with strong dystopian warnings for the disastrous results of revolutions that fail or run wild. But utopian elements are also encoded in myths and tales, in art, literature, drama and music, and in ordinary daydreams. This kind of utopian hope is an essentially driving force for historical change.

Many are deeply sceptical towards utopias, and for good reasons. Marx also firmly denounced all his contemporary 'socialist utopians' for nourishing false illusions of a future earthly paradise. Nonetheless, Marx's own thinking and engagement was deeply inspired by such utopian ideas – with a very long pre-history, back to early Christianity and the Classical Antiquity – as well as by the struggles and hopes of the working class and other anti-capitalist movements.

Also, the utopian mistake is rarely to go too far. What Marx criticised Proudhon, Saint-Simon, Fourier and others for is instead that they did not go far enough! They carried with them hidden residuals from bourgeois society, since they were not radical enough. The utopians were too little rather than too much utopian. They also were failed by not being able to outline any practicable paths to their ideals, but instead constructed them as abstract goals contrasting to social reality. While their utopias tend to be abstract, Marx intended his socialist utopia to be concrete: anchored in real societal tendencies. He insisted that any partial reform of society could never suffice, as the fundamental origin and driving force of capitalism in simple commodity production had to be uprooted. Abolishing big capital ownership and taking over state power was necessary but not sufficient. As long as production is organised around private ownership and commodity exchange, and as long as labour-power is a commodity for sale on the market, commodification and accumulation of surplus-value will continue to unfold and spread. There is no nice and innocent form of commodity production that does not carry the germ of full-scale capitalist exploitation, and Marx was careful to outline how the logic of capitalism went back all the way to the starting point of *Capital* and could only be transcended by radically transforming these fundamentals of how use-values are produced and distributed.

Sources of Marxism

Based on their new economic strength and the emerging civic public sphere of the press, book publishing, associations, concerts and theatres, the bourgeoisie had in most Western countries conquered power over the feudal state apparatus that had been built up by absolute aristocratic regimes. The American Declaration of Independence of 1776 and the French Revolution in 1789 most clearly expressed the ideology and utopia of the victorious bourgeoisie. With demands for freedom and equality, it won the support of the poor working masses in the struggle against old feudal institutions. But what was then installed by capitalism was freedom and equality of money and capital, not of the working people. The working class was established and formed as a class by the

growth of manufacture and industrialism, and by the efforts to organise in struggle for its own rights. Workers bitterly learnt what it meant to sell their labour-power to the new rulers. The struggle between feudal and bourgeois forces was gradually superseded by a struggle within capitalism between workers and capitalists.

Workers were first individually hired by each industrial owner. Soon, workers' associations were formed, where workers in spite of violent oppression united to demand better work and life conditions. Marx's classical example of this was the struggle for shortening the length of the working day. Marx developed his theoretical understanding of capitalism parallel to actively engaging in the emergent organisation of the workers' movement.

Marx was born in 1818 in Trier on the Mosel (a side river to the Rhine) in Germany, not far from the French border. At the University of Berlin, he studied law, philosophy and history. His doctoral dissertation was on classical Greek philosophy: *The Difference Between the Democritean and Epicurean Philosophy of Nature* (1841). He joined a radical, free-thinking group of intellectuals, including the poet Heinrich Heine (1797–1856) and Friedrich Engels (1820–1895). From 1842 onwards, Engels was his loyal friend, supporter and writing partner. In 1842–1843, Marx edited the radical *Rheinische Zeitung* (Journal of the Rhine), which, as Marx himself recalled, put him 'in the embarrassing position of having to discuss what is known as material interests' and to turn his attention to economic questions, while still tinged by 'dilettantism' 'at that time when good intentions "to push forward" often took the place of factual knowledge, an echo of French socialism and communism, slightly tinged by philosophy'.²⁷

In 1843, Marx was threatened by the authorities for his activities and fled to Paris with his wife Jenny von Westphalen. There, in 1844 he became the editor of the political journal *Deutsch-Französische Jahrbücher* (Franco-German Annals). He continued to develop intense philosophical and political polemics and, in the five years from 1841 onwards, he developed from a progressive philosopher to an actively engaged critical theoretician and organiser. This was the period when he formed his programme of historical materialism, which led him to the research in political economy that laid the foundations for a scientifically based critique of capitalism. Three points of departure are commonly mentioned:

- 1 *German idealist philosophy*: critical studies primarily of the dialectical idealist Georg Wilhelm Friedrich Hegel (1770–1831) and the materialist Left Hegelian Ludwig Feuerbach (1804–1872).
- 2 *French utopian socialism*: Henri de Saint-Simon (1760–1825), Pierre-Joseph Proudhon (1809–1865) and others who in practice and theory tried to develop ideas of another kind of society, without exploitation.
- 3 *English and Scottish political economy*: Adam Smith (1723–1790), David Ricardo (1772–1823) and others, who had initiated, but (in Marx's view) not fulfilled, a critical analysis of the inner mechanisms of capitalism.

This is how Marx himself describes his early development, in *A Contribution to the Critique of Political Economy* (1859), which was a first presentation of his research results:

The first work which I undertook to dispel the doubts assailing me was a critical re-examination of the Hegelian philosophy of law; the introduction to this work being published in the *Deutsch-Französische Jahrbücher* issued in Paris in 1844. My inquiry led me to the conclusion that neither legal relations nor political forms could be comprehended whether by themselves or on the basis of a so-called general development of the human mind, but that on the contrary they originate in the material conditions of life, the totality of which Hegel, following the example of English and French thinkers of the eighteenth century, embraces within the term 'civil society'; that the anatomy of this civil society, however, has to be sought in political economy.²⁸

Hegel's philosophy

Hegel's philosophy had a decisive revolutionary element: the idea that all is in movement and development, pushed forward by inner contradictions in phenomena. This dialectical outlook contrasted with the common mechanistic ideas among many idealists as well as materialists, seeing reality as something static, once and for all given. The materialists of that time did not believe in any higher essence, but they were kind of mechanistic moralists. For them, enlightenment and the rational power of wise men was the only way to pull dumb people out of their static lethargy – if one didn't choose to simply accept the status quo. Human beings were regarded as totally determined by their environment in a mechanical way. Hegel instead saw contradictions and movement everywhere and also offered rich insights into how different spheres of life were interconnected.

Still, for Hegel, the basic driving force of historical development resided in the Idea or Spirit. He was an idealist and took for granted that the ultimate goal of dialectical development was absolute reason, given once and for all. His dialectics thus came to a standstill too early, according to Marx. He was also conservative enough to partly identify this goal of history with the reactionary Prussian state.

Younger Left Hegelians attacked this idealism. One of them was Feuerbach, who strongly influenced Marx for a while, until he heavily criticised him in his *Theses on Feuerbach* (1845, published in 1888 as an appendix to Engels's *Ludwig Feuerbach and the End of Classical German Philosophy*). Feuerbach argued that human consciousness was ultimately determined by material existence, by nature. He attacked Hegel's religious tendencies and instead put Man at the centre. While Hegel said that the world is created when the Idea thinks itself, Feuerbach instead argued that the material world creates Man's ideas. Therefore, religious beliefs are just treacherous figments of the brain.

Marx agreed with Feuerbach's materialist critique of Hegel, but only partially. Instead of regarding human beings as passive imprints of their environment, Marx introduced human action, 'praxis', as a new element in philosophy. Humanity's surroundings are no static and immobile structure, but a world that human beings through their society help in forming and creating. 'The philosophers have only interpreted the world, in various ways; the point is to change it', was therefore Marx's conclusion in his final, eleventh thesis on Feuerbach.

Utopian socialism

With these philosophical fights in his luggage, Marx proceeded in his political engagement. He realised that the enlightened bourgeoisie would not revolutionise the world once more, but instead came to see the working class as the new progressive class in society. The French (and British) *utopian socialists* had also wished to liberate the proletariat from the fetters of class rule. But where they in these workers just saw the largest and poorest class, Marx simultaneously also sensed a revolutionary force with particular abilities to liberate itself – and the whole of society.

In a series of texts from the mid-1840s, Marx designed his materialist view on history. He formulated key traits of capitalism: alienation, class struggle, oppression, etc. These topics were increasingly sharply expressed in polemics against contemporary, more or less petty bourgeois socialist thinkers, as well as in the captivating *Communist Manifesto* from 1848 – a year full of political upheavals all over Europe, not least in France and Germany.

Political economy

However, in order to give the critique of capitalism a firm foundation, a far more intense study of the processes of exploitation was needed. Even before the intensified class struggles of the European year of revolution in 1848, Marx had started to focus on capitalism's political economy, which his programme for historical materialism had pointed out as the inner core of modern society. Thereafter, he sat for a couple of decades at the British Museum Library in London and read all the bourgeois theories of capitalism: the classical English and Scottish *political economy*.

These bourgeois economists had presented social theories that depicted a series of phases of capitalism in terms of a system of laws and rules – often as firm and objective as natural laws. The early appearance of the merchant class for instance gave impulses to *mercantilism*, which placed trade at the centre, and dominated Western European economic policy and discourse from the sixteenth to the late eighteenth centuries, with Jean-Baptiste Colbert in seventeenth-century France as a leading proponent. In France, dominated by agriculture, the competing school of *physiocracy* instead regarded land development as the key source of wealth, with eighteenth-century names like François Quesnay and Anne-Robert-Jacques Turgot.

The pioneering establishment of industrialism in England then gave birth to the *classical political economy*, with Adam Smith as author of *The Wealth of Nations* (1776): a ground-breaking work that celebrated free competition, free trade and the free play of market laws without state intervention. This pledge for 'laissez-faire' policies became the core in all subsequent liberal and neoliberal doctrines. But Smith at the same time started formulating a theory of how societal wealth is created in capitalist factories.

In 1817, David Ricardo's main work was published: *Principles of Political Economy and Taxation*. He became known for the so-called Iron Law of Wages, that wages naturally tend to a subsistence level, which (as Marx also showed) was actually wrong. He also analysed how ground-rent could arise, so that landowners could earn money even when they did not invest any capital or labour in producing anything on their lands. And most importantly, Ricardo further developed the labour theory of value, stating that the labour-time in some way determines values. He also started formulating the falling tendency of the rate of profit.

Much of all this was taken up by Marx, who still found these economists wanting, contradictory and limited, so that they finally concealed the true workings of capitalist exploitation. Marx charted the deep contradictions in capitalist commodity production: the unique property of labour-power as a commodity, the secrets of surplus-value production, the foundations of economic crises, etc. This was done through extensive and intensive work, and Marx was himself long stuck with certain mistakes in his writings before *Capital*, for instance mixing up labour with labour-power. He shared such mistakes with his predecessors, and it was not until he finally saw through them that he could offer a well-founded materialist social theory and critique to the socialist working-class movement.

Marx's works

Many critical words have been said about Marx's personal life. He was a kind of freelance activist and researcher, financially supported by his friend Engels, who was a rather wealthy industrialist. Many have also questioned various aspects of his life and work, for instance the way he subordinated his wife and children under his self-imposed political cause. This was something he at least sometimes seemed to have been aware of: 'I thus had to make use of every moment when I was capable of work to complete my book [*Capital*] to which I have sacrificed my health, happiness, and family'.²⁹

These objections will here be left aside. Marx's great efforts resulted in an impressive series of texts. The raw draft, *Grundrisse* was written in 1857–1858 but not published until a hundred years later, in the mid-twentieth century. Then came *A Contribution to the Critique of Political Economy* (published in 1859), *Theories of Surplus-value* (written in 1863 but published posthumously in the early twentieth century) and *Results of the Immediate Process of Production* (written in 1864, published in the 1930s). Finally, in 1867, *Capital* Volume I was the

first presentation of the finished result. Engels edited and published Volume II (1885) and Volume III (1894) after Marx had died in 1883.

The original intention was for the presentation to continue. At one stage of his work process, he planned for Volume IV to critically scrutinise the various illusions and theories of bourgeois economists and ideologies. He then intended to carry on with analyses of classes, the state, foreign trade, the world market and the crises. But he stepwise revised his plans, as a result of his research findings and theoretical development. Michael Heinrich has recently argued that Marx's *Capital* was less of a work than an unfinished research programme, starting in 1850 and with a turning point in 1863.³⁰ Whether *Capital* was planned to have six or just four volumes changed over time, and Marx continually modified his overall schedule. It was Engels who prepared the last volumes for publication, and one cannot regard Volumes I–III as in any way finished and complete totality. The task of completing this work was just too much for one person, and what remains are a series of drafts that offer great opportunities (and demands!) for continued research and reconstruction.

This may be regarded as a guide for Marxist research after Marx. Besides these topics, many others may be added as important to understanding modern and late-modern capitalism. In some historical contexts, Marx's theories have been studied and discussed by socialist movements, but *Capital* and other works of economy critique have often gathered dust on the top shelf of Left-wing libraries. Defeats and failures have also often led Marxists into blind alleys, petrification and dogmatic thinking. The continued fates of Marxist theory must be understood in its context of political class struggle.

Socialist movements

The year 1830 was one full of class struggles in France. In the subsequent decades, Marx and Engels actively engaged in the organising of the young working-class movement. They took part in the formation of the Communist League in London in 1847 (dissolved in 1852), and it was for that organisation that they wrote the *Manifesto of the Communist Party* the year after. This has remained the primary political classic of communism and is widely translated.

In 1848, a German revolutionary effort failed, and fierce fights appeared again in France. The 1850s then became a decade of political reaction, but the working-class movement also grew, in spite of repression. In many countries, associations were formed, and socialist pamphlets and papers were published.

In 1864, Marx and Engels participated at the constituting in London of the International Workingmen's Association ('First International', 1864–1876). Its programme was socialist, but in a general way. Trade unions were formed in many countries, and there were strikes and other activities to defend workers' interests. The First International was full of inner tensions. It had some success in connection with the brief but inspiring communist experiment of the Paris Commune during the Franco–German war of 1871, which confirmed and enriched Marx's theories and predictions. In the Paris Commune, Marx's line

primarily competed with the ruthlessly violent communism of Louis Auguste Blanqui (1805–1881) and his revolutionary Blanquists, who had gained strength as early as 1848.

Marx and Engels also debated with other directions, for instance liberal sympathisers to the workers or the reformist Ferdinand Lassalle (1825–1864), who had great influence in the International and on the future social democratic movements. The General Council of the International was initially dominated by Anarchists led by Mikhail Bakunin (1814–1876), who conceived the transformation of society as an armed crushing of the bourgeois state apparatus, while Marx instead argued that this state will wither away in a much more extended historical process that must be centred on the transformation of production. Bakunin and his followers were expelled in 1872, and the General Council moved to New York. This International was dissolved in 1876.

The Second International was formed in 1889. It again housed huge inner contradictions, not least concerning the state. It declared May 1 as International Workers' Day (1889) and March 8 as International Women's Day (1910), and led an international campaign for the 8-hour working day. The issue of military armament soon became a decisive item on its agenda. Most participating national associations were loyal to their own governments and voted for increased armament. Unity therefore broke down completely with the outbreak of World War I in 1914, and the Second International was dissolved in 1916.

The divides within the workers' movement grew, with the polarised views on the state, on the wars, on the choice between reform and revolution, and on the Russian events in 1917–1918. All over the capitalist world, the movement split up into two mutually hostile branches. The Second International was resurrected under other names after World War I and in 1923 the so-called International Socialist Commission (also known as the Berne International) and the International Working Union of Socialist Parties (2½ International or Vienna International, formed in 1921) fused into the new Labour and Socialist International (LSI), 1923–1940. This became a forum for those social democratic parties that rejected the Bolsheviks and the Russian revolution and continued to work for a peaceful, gradual and parliamentary road to socialism. After World War II, this movement was again reconstituted as the Socialist International in 1951, primarily encompassing European social democratic parties.

On the revolutionary side, the Third International (Communist International or Comintern) was formed in Moscow 1919. It was totally dominated by the Russian Bolshevik Party, even more so when the big German Communist Party (KPD) was annihilated by the Nazis after Hitler's takeover in 1933. There was a wave of workers' protests across Europe immediately after the war but, while revolutionary efforts failed everywhere else, the Russian revolution was surprisingly victorious, which made all communist parties strongly dependent on that of the Soviet Union, which appeared as a kind of fatherland for socialism, demanding absolute loyalty. The Stalinist regime drove this petrified obedience to extremes. All opposition was killed, isolated or silenced. The Comintern was dissolved in 1943 to please the allies of the Soviet Union in World War II, but was

reborn in 1947 as Cominform (Communist Information Bureau), again dissolved in 1956 as part of de-Stalinisation. Communist world congresses continued to gather Soviet-friendly communist parties until the fall of the Iron Curtain in 1989.

In most nations, a series of splits appeared in both main camps from the 1920s onwards, but most intensely among the communists, as the Soviet dominance gave rise to tensions in relation to national interests. However, alternative associations never managed to get any stronger presence, and most workers had to choose between the main two camps, both with considerable difficulties and limitations, not least from the Marxist perspective presented here.

The Anarchists had been thrown out quite early, but continued to be active outside or in the margins of the spectrum of Marxist socialist movements. In 1922, the International Workers' Association (IWA) gathered syndicalist forces, aiming to create industrial unions to fight for the economic and political interests of the working class and ultimately to abolish capitalism by forming co-operative communities and workers' councils.

Besides Vladimir Iljij Lenin (1870–1924), who reinterpreted Marxism and gave name to the authoritarian Soviet version known as 'Marxism-Leninism', Leon Trotsky (1879–1940) was one of the most prominent communist leaders in the Russian revolution and the constructing of the Soviet state in the early 1920s. Under heavy external and internal pressure, a series of inner party conflicts led to accelerating purges, particularly when Josef Stalin (1878–1953) took over after Lenin's death in 1924. A forced industrialisation followed, democratic rights and freedoms were radically limited and all independent or oppositional currents and organisations in the working class were eradicated. A sectarian 'class against class' policy was adopted in the Soviet Union and forced upon other European communist parties in the late 1920s and early 1930s. This was followed by a 'people's front' policy from the mid-1930s, when it became clear that the advance of Fascism must be met with a more united workers' movement. Efforts were made to build alliances with social democrats in this struggle, but they generally remained sceptical, based on their experiences of communist aggression and totalitarianism.

Trotsky had been exiled from the Soviet Union and, in 1938, formed the Fourth International (FI). Its Trotskyist 'transition programme' aimed for a global world revolution, whereas Stalin was convinced that Socialism could be built in one single country, the Soviet Union. On Stalin's orders, Trotsky was murdered in Mexico in 1940, but Trotskyism still exists, divided into a large number of rival associations, parties and Internationals.

Most Marxist theoreticians who refused to accept all directives from Moscow were either eliminated or driven into exile and isolation. This divided theory from practice in a problematic manner, at the same time as social democrats increasingly abandoned Marxism for a rather untheoretical manipulation with newly won parliamentary positions. Both camps of the workers' movement shared a number of weaknesses that had been inherent since its early childhood. They both, for instance, mechanically split up politics from economics – a split that had been built into the twofold forms of organisation since the nineteenth

century. On the one hand, trade unions fought for economic demands, mainly aiming at keeping up the value of labour-power. On the other hand, parties fought for political demands such as rights to vote and other demands on the state rather than fighting the capitalists. Parties tended to be placed above trade unions and also to monopolise the struggle in ideological and cultural fields.

The various Internationals were intended as tools for co-ordination and contact between movements in different countries but, in the case of Comintern, it rather affected the control of the Communist Party of the Soviet Union over its sister parties. After World War II, this grip was stepwise reduced. Many social democratic parties had then already dissociated themselves almost completely from Marx's theories, while individual social democratic thinkers continued to develop and revise his heritage in various directions. Yugoslavia had already stepped out of Cominform and the Eastern Bloc in 1948, Stalin died in 1953 and in 1956 his successor Nikita Khrushchev (1894–1971) publicly confessed and denounced (some of) Stalin's many, big and disastrous 'mistakes'. The door to internal critique seemed finally to be slightly open. The tragic events in Hungary in 1956 and Czechoslovakia in 1968, when Soviet troops crushed democratising uprisings in blood, closed the door again.

A protracted civil war finally in 1949 gave China a communist regime under Mao Zedong (1893–1976). 'Maoist' politics soon diverged considerably from the Soviet model, culminating in the so-called cultural revolution that started in 1966 and which also came to inspire parts of the New Left in the West. In many third-world regions, the post-World War II transformation of colonial empires into various forms of post-colonial governance involved liberation movements that took their names and ideologies from Marxist and socialist traditions. This also had particular repercussions in the West in the late 1960s and the 1970s, when, for instance, the Vietnam War also inspired a revitalisation of Leftist ideas among young generations.

The Cold War of the 1950s had tended to marginalise socialism and Marxism in many Western public arenas, even though countries like France and Italy nourished quite strong communist parties. This started changing in the 1960s, when multifaceted revolts emerged around issues such as youth culture, student politics, international solidarity, peace, ecology and feminism. A peak was reached in 1968, as French students and workers briefly united to almost overthrow Charles de Gaulle's regime. In the shadow of the 1970s' oil crisis, which put an end to decades of seemingly constantly rising prosperity and welfare, there were wild strikes and other anti-capitalist actions, and a number of different young and radical movements saw the light of day.

The collapse of Soviet-centred Stalinist communism, symbolised by the fall of the Berlin Wall in 1989, has on the one hand opened up a wider space for revitalising critical Marxism, but on the other hand simultaneously also been parallel to a combination of neoliberal and populist-xenophobic right-wing political waves in the Western world. Old communist parties have dissolved or been radically transformed, while reformist social democracy has lost much of its earlier dominance.

New waves of critical mobilisation have reappeared outside the traditional party structures. After the turn of the millennium, the combined crises of both the financial and the climate system – both evidently caused by the hypertrophy of late-modern capitalism – have again called for a renewed economy critique, from anti-globalisation movements to Occupy Wall Street. The Arab revolutions have simultaneously offered new hopes for emancipatory democratic mobilisation around the world.

A sign of the growing need for change was when, at one of the top capitalist summits of today, the Davos World Economic Forum, leading spokesmen in January 2012 expressed fundamental doubts about the current economic system: ‘Capitalism, in its current form, no longer fits the world around us. [...] A global transformation is urgently needed and it must start with reinstating a global sense of social responsibility’.³¹ Contemporary elites rarely agree with Marx’s radical visions, but their growing hesitancy shows how widespread the suspicion is currently that capitalism is a dead end, and it does lend force to a renewed interest in what Marx had to say about it.

Readings of Marx

Interpretations of Marx’s theories have shifted enormously over time, depending on who has interpreted them and in which historical and social context. From the end of the nineteenth century, social democracy has been dominated by various kinds of ‘revisionism’ (a term used both by its proponents and its adversaries). A typical example was the German politician Eduard Bernstein (1850–1932), who denied the necessity of any political revolution, focusing instead on the combination of parliamentary and trade union defence of working-class interests. Bernstein and other revisionists argued that capitalism was doomed to break down more or less automatically, by its own economic laws and in particular the steady growth of productive forces, and should then just be replaced with a rational socialism. The Czech–German Karl Kautsky (1854–1938), who in the early 1900s helped publish some of Marx’s unpublished manuscripts, later also approached a similar position.

Soviet-based Marxism–Leninism as well as Chinese Maoism were much more critical against the state and argued for a greater independence of the working class, but also shared many traits with the early social democracy. These authoritarian readings of Marx were petrified into fixed sets of unquestionable dogmas derived from detached quotations from Marx and Lenin together with Stalin and/or Mao Zedong. Their theoretical models were completely locked and allowed no critical discussion. The demand for total loyalty with a particular nation or party, and for always legitimising their current policies, effectively eliminated all elements of critical thinking.

Already in the first decades of the twentieth century, there were several individual Marxist thinkers who – at the cost of isolation and other difficulties – in various ways tried to revitalise economy critique. The Russian revolution gave rise to new needs to analyse problems in the transition from capitalism to

socialism, and capitalism's own development made it increasingly important to come to grips with the growing welfare state, the crises, imperialism and wars. The German Rosa Luxemburg (1871–1919) and the Italian Antonio Gramsci (1891–1937) were important examples of these more inspiring efforts to redevelop Marxist theory, and their ideas have continued to influence later political thinking. For instance, Gramsci's theory of hegemony has been quite important to British cultural studies from the 1970s onwards, as well as to even more recent 'post-Marxist' theorists in Europe and the USA. Other independent Marxists, including the Hungarian György Lukács (1885–1971) and the German Karl Korsch (1886–1961), developed theories of aesthetics and alienation, in opposition to what they regarded as a petrification, reification and flattening out of the dominant Leninist and revisionist Marxisms.

The Institute for Social Research in Frankfurt am Main, founded in 1923, soon became the key site for undogmatic Marxism, known as the Frankfurt School of 'Critical Theory'. Under the Nazi rule and World War II, it went into exile in the USA, but then returned and has seen several new generations. This Critical Theory has also been highly influential in the formation of the New Left from the late 1960s onwards, including this book itself. The early Frankfurt School generation included men like Max Horkheimer (1895–1973), Theodor W. Adorno (1903–1969), Walter Benjamin (1892–1940), Erich Fromm (1900–1980), Henryk Grossman (1881–1950), Leo Löwenthal (1900–1993) and Herbert Marcuse (1898–1979). In many different ways, but sharing a programme for critical rejuvenation of Marxist social and cultural theory, they developed rich examples of how the dialectical mode of Marxist thinking could be pursued to approach phenomena such as the rise of fascism, authoritarian regimes and commercial culture. After World War II, scholars such as Axel Honneth (1949–), Oscar Negt (1934–), Claus Offe (1940–), Alfred Schmidt (1931–) and Albrecht Wellmer (1933–) have continued working in the Frankfurt tradition, but Jürgen Habermas (1929–) has become its leading figure. From *The Structural Transformation of the Public Sphere: An Inquiry into a Category of Bourgeois Society* (1962/1989) to *The Theory of Communicative Action* (1981/1984 and 1981/1987) and lots of other works, Habermas has taken up and revised the early Frankfurt School programme for critical theory and simultaneously engaged in a wide range of social and political issues. In relation to Marx, one of his main ideas is that Marx's focus on labour and production needs to be supplemented by another societal logic related to communicative action, but it would carry too far here to develop this discussion any further.

In the 1950s and 1960s, there were several efforts to focus on the works of the young Marx and read them in the light of other philosophies, for instance the existentialism of Jean-Paul Sartre (1905–1980) and various phenomenological theories, not least in France. Partly as a reaction to such ethically oriented and in some respects individualising currents that were partly a reaction against the pompous dogmatism of Comintern communism, other French Marxists in the 1960s strove to create a general and objective theory of knowledge production and the social order, on the basis of structuralism. Louis Althusser

(1918–1990) was the leading philosopher in this structuralist rereading of Marx, with books like *For Marx* (1965/1969) and *Reading Capital* (1968/1970). Structuralism became highly influential in the academic Left of the 1970s. It stressed the scientific traits of Marxist theory, reformulating and reinforcing much of the historical-materialist programme, where the economic basis is seen as determining the superstructure ‘in the last instance’.

Another reconstructing movement based on a rediscovery of economy critique flourished in West Germany and Scandinavia from the mid-1960s to the early 1980s. In Moscow, David B. Ryazanov (1870–1938) had edited and introduced a series of important works by Marx, miraculously managing to steer clear of Stalinist Marxism–Leninism. Detailed analyses of Marx’s Hegelian-inspired method of inquiry and presentation in *Capital* and related, newly published texts by Marx were developed by philosophers, economists and historians such as the Czech Jindřich Zelený, the Ukrainian Roman Rosdolsky (1898–1967), the Belgian Ernest Mandel (1923–1995), and a wide range of German Marxists such as Elmar Altvater (1938–), Hans-Georg Backhaus (1929–), Wolfgang Fritz Haug (1936–), Hans-Jürgen Krahl (1943–1970), Paul Mattick (1904–1981) and Helmut Reichelt (1939–).³² In books and articles in new journals dedicated to the new and critical Marx Renaissance, they reintroduced more sophisticated readings of Marx’s key works and on this basis tried to develop an updated economy critique, engaging in discussions of socialism, state, crisis, imperialism, technology, culture, consciousness, ideology and everyday life. This companion book has itself emerged from that ‘*Kapitallogik*’ movement, which – far from the wavering between voluntarism and fatalism in earlier Marxisms – laid the foundation of a uniquely rich understanding of how Marx transcended Hegel’s method and managed to uncover the deeply contradictory propelling logics of self-valorising capital itself, which at once breeds both misery and emancipation.

After a temporary weakening of Marxist theoretical work during the era of neoliberalism and post-communism, one may today again discern a rising interest, inspired by a series of anti-capitalist movements in many different parts of the world, critically responding to tendentially global financial, environmental and political crises. Marx was of course never forgotten, but leading critical theorists for a while seemed to treat him in a much more relaxed way than previous generations. For instance, critical theorist Jürgen Habermas built in certain elements derived from Marx in his own model of modern society, while problematising others (this will be further discussed at the end of this chapter); critical hermeneutic philosopher Paul Ricoeur (1913–2005) included the young Marx as one key figure among others in his overview of theories of ideology and utopia; and deconstructionist Jacques Derrida (1930–2004) in his book *Specters of Marx* (1993) used Marx as a tool for elaborating an ethical and political dimension of justice and responsibility in his own theory.³³ Lots of others have also integrated key elements from Marx in their own texts, including such diverse thinkers as Jean Baudrillard (1929–2007), Gilles Deleuze (1925–1995), Michael Hardt (1960–), Ernesto Laclau (1935–), Chantal Mouffe (1943–) and Antonio Negri (1933–).

After the millennium shift, a rapidly increasing interest in Marx's theory itself can be noted, as several authors have not only been influenced and taken up threads from Marx, but also explicitly focused on Marx's main theoretical work, casting new light on how it is relevant to contemporary political issues. For instance, the French mathematician and political philosopher Alain Badiou (1937–) has been engaged in critical debates with analytical as well as post-modern philosophy and, with the Slovenian philosopher Slavoj Žižek (1949–), organised international conferences devoted to reviving the Marxist concept of communism for politics, social science, philosophy and the arts.³⁴ In Britain, literary scholar Terry Eagleton (1943–) has in *Why Marx Was Right* (2011) tried to defend Marx against ten common objections, including accusations for determinism, economism, utopism, vulgar materialism and terrorism, arguing that it is capitalism that is obsolete, rather than Marxism or class struggle.³⁵ The British geographer David Harvey (1935–) has for several decades offered a series of introductory lectures and publications, including *A Companion to Marx's Capital* (2010), which is a guide to Volume I.³⁶ His work goes into a detailed discussion with that of Marx and strives to relate Marxian concepts to the crises of contemporary capitalism. The American comparative literature scholar Fredric Jameson in *Representing Capital* (2011) made a dialectical reading of that same Volume I.

The German Marxist debate is indeed now too flourishing anew in conferences, journals and books. The introductory work of the German political scientist and mathematician Michael Heinrich (1957–) is anchored in a similar reading of Marx as that which has guided this presentation.³⁷ Besides offering a brief general introduction to *Capital*, Heinrich also in great detail scrutinises different versions of Marx's text, exemplifying the renewed academic efforts in this field.

Ambivalences

Marx's way of understanding capitalism is full of ambivalences. All these are in Marx's view real contradictions and ambiguities resulting from the core social practices of modern society. His own dialectical approach to modern society was motivated by the dialectical character of that same society, which it aimed to unveil. But these contradictions left marks also on Marx's own analysis, in not always resolvable ways, tending to cause confusion in the ensuing reception history of his work. I would like to end this companion to *Capital* by pointing at issues where we who walk at least with one of our legs in Marx's footsteps tend to oscillate with him between contradictory positions, as his formulations have inspired followers to draw radically opposing conclusions for political practice today.

The dual character of labour

First, Marx locates a deep inner contradiction in the essential core of this society, with the dual character of labour and commodities, being both concrete and

abstract, having need-oriented use-values and (exchange) values that result from social relations but take on reified forms.

Inspired by Michael Heinrich, the Swedish sociologist Anders Ramsay (1954–) has emphasised the contradictions and ambiguities within Marx's own texts.³⁸ This connects to the discussion of Marx's dialectics in the introductory methods chapter above. One may trace the same kind of 'naturalistic tendencies' in Marx's work (and even more in that of Engels) as was for instance also found in Freud's psychoanalytical theories.³⁹ Both Freud and Marx were deeply impressed by the advances of natural science, with Charles Darwin as one of several common denominators. They often tended to take over concepts, models and approaches from the world of natural science, for instance describing the evolution of society in terms of quantifiable laws. The same tendency applied to early sociologists such as Émile Durkheim (1858–1917) and Max Weber (1864–1920), who all 'had not yet liberated themselves from an orientation derived from a natural scientific prototype or from thinking about society along the lines of "nature"'.⁴⁰ Marx and Engels shared that naturalistic tendency: 'Marx oscillates between, on the one hand, a naturalistic or physiological conception of abstract labour [...] and on the other hand, a non-naturalistic, social conception'.⁴¹ The naturalistic version defines abstract labour as 'a productive expenditure of human brains, muscles, nerves, hands'.⁴² Formulations like the following hints that the abstract labour (that creates value) is purely physical, while concrete labour (producing use-values) would then by implication be more social and historical in character:

On the one hand, all labour is an expenditure of human labour-power, in the physiological sense, and it is in this quality of being equal, or abstract, human labour that it forms the value of commodities. On the other hand, all labour is an expenditure of human labour-power in a particular form and with a definite aim, and it is in this quality of being concrete useful labour that it produces use-values.⁴³

But, in lots of other instances, Marx instead underlines that value is no natural thing but a societal relation between commodity producers, a crystallised 'social substance'.⁴⁴ Value is based on a social relation through which the human labour invested in producing commodities is validated as 'socially necessary'. When Marx sometimes talks of the 'individual value' of a commodity, that is a potentially misleading expression, in that it may give the false impression that the physical time and sweat used in the production would directly be abstract labour that gives rise to value. Whether this is true or not can never be safely ascertained until the assumed commodity value has been 'tested' on the market, where social relations determine whether this 'individual' (proto-)value really is acknowledged as corresponding to (real social) value or not. At the same time, use-values have certain 'natural' components, as they are based on human needs that develop in interaction between people, nature and artefacts, while values are indirect social relations, mediated through markets where exchange-values and

money instead of mutual planning and communication organise societal co-operation and distribution of goods.

Heinrich and Ramsay thus both trace an internal opposition and wavering in Marx's economy critique between a naturalistic and a social version of the value theory.⁴⁵ This went largely unnoticed in much of the reception history, even up to the 1970s, where several Marxists instead emphasised the natural basis of value. Ramsay mentions for instance Wolfgang Fritz Haug and reminds us that Marx's theory of fetishism and of the trinity formula should function as useful antidotes to such naturalising tendencies, as this is really a splendid example of how social relations are disguised as natural facts.⁴⁶

Value is not a thing but rather a social relationship. It emerges neither through production nor through exchange, but presupposes both. It is a property something is assigned in relation to other things, which then gives the appearance of possessing it quite apart from such a relationship. As Marx insists on repeatedly, value is a ghostly or over-sensual property, not a substantial one. The conception of a commodity possessing its value objectivity independent of these relations is a semblance that transforms a social property into what is taken to be a natural one.⁴⁷

In order to accommodate contemporary economic developments, one therefore need not abandon Marx's controversial labour theory of value in favour of any of those alternatives that Marx himself attacked with such fervour. In fact, his concept of value integrates certain key determinations of the market as a mechanism for recognising human labour as socially necessary, and cannot just be reduced to a simple expenditure of (any) labour-time. This makes it possible to develop a more complex and dialectical understanding of what the labour theory of value actually implies.

Ramsay compares economic value with Bourdieu's concept of cultural capital – in both cases, individual efforts must be socially recognised in order to result in true value-production: 'the value-relation does not arise in exchange without a labour process, but without exchange, concrete labour would never be reduced to abstract labour either, and thus, no value would emerge'.⁴⁸

One may well understand that the success of the nineteenth- and early-twentieth-century natural sciences tempted social thinkers to try and import ideas from them. Another alternative was instead to fence off a purely humanistic field of understanding against the threatening big brother of scientific explanation. This was precisely what the late-nineteenth-century hermeneutic Wilhelm Dilthey (1833–1911) did. He sharply distinguished the human from the natural sciences, arguing that causal laws of explanations could only be valid for nature, while human society and culture demanded a completely different approach of understanding and comprehension. This split world model was reproduced by his successor Hans-Georg Gadamer (1900–2002), whose most important work, *Truth and Method* (1960), likewise sharply distinguished between the interpretive

'truth' about human existence offered by the humanities and the more instrumental 'methods' used to control external nature.

In this spirit, one might want to erase all naturalist traces in Marx and reconstruct his theory in purely sociocultural terms. Such a culturalist rereading of Marx, in Dilthey's humanistic spirit, parallel to the culturalist reinterpretation of Freud, would discard all naturalist elements and translate the key concepts into phenomenological terms.

However, there is another possibility as well, inspired by how Ricoeur has emphasised the productiveness of the dual character of Freud's theories. It was maybe not until the second half of the twentieth century that it became again possible to avoid such humanistic defence mechanisms against the imperialism of the victorious natural sciences. Paul Ricoeur has refused this bifurcation, arguing instead for the combination of understanding and explanation in never-ending hermeneutic spirals of interpretation. From such a perspective, one may then argue that it is the wavering between social and naturalist conceptions that is Marx's most important contribution. His theory of commodity fetishism is then a way of coming to grips with the processual intertwining of material and social aspects, none of which can be seen as secondary or derived. Both use-value and value are then neither natural-material nor purely sociocultural phenomena. Instead, they are different ways in which capitalist society combines and 'articulates' materiality and sociality, nature and culture. A Ricoeurian rather than Diltheyan interpretation of Marx would strive never to lose sight of the precarious dialectics of capitalism, acknowledging the (many) dual character(s) of capitalism and taking on the task of unveiling the complex mediations that in reality link the two sides. Value and use-value are two different modes of combining the material with the social, and their mutual interdependence gives rise to the peculiar dynamics of modern society.

The dual character of capitalism

Marx pursues the further development of the polarity of abstract/concrete labour (and of value/use-value) up through the levels of abstraction, with an important station in the analysis of capital and production, where both are also described as having a dual character. Capital is a kind of dialectical synthesis of living labour and dead labour, and production is at the same time both material labour process and economic valorisation process. There is then also an apparent ambiguity in Marx's understanding of the dual character of the capitalist mode of production as a whole.

This mode of production has a long-term civilising tendency to continually expand and improve productive forces as well as the circuits of human needs, which Marx regards as positive. The combined dialectics of use-value and value, and of labour and capital, imply that not only exchange-values but also use-values expand. Capitalism creates a global world market and its rapid evolution of production methods goes hand in hand with a widening and refinement of human and social needs and tastes. This establishes the material basis

for a possible new kind of free association, once the fetters of commodity production can be dissolved.

But there is also an ongoing ‘real subsumption’ of virtually everything human under valorising demands: a commercialising commodification and fetishist reduction of social relations to abstract economic laws that also have a destructive force. Against the civilising influence stand capitalism’s ruthlessly barbaric sacrificing of human welfare on the altar of profit and its tendency to push humanity into a spiralling series of catastrophic crises.

The inner polarity of commodity production is thus multiplied and sharpened at the surface of capitalist society. It is not always easy to uphold this fundamental ambiguity that propels modern society forwards towards an open future. Different passages by Marx tend to lean towards either side, and this is even truer for later and contemporary Marxists. Sometimes, the civilising progress aspect inspires an almost utopian vision of a forthcoming socialist paradise; at other times, there is nothing but decline, impoverishment and crisis, leading to a dystopian state of barbarism.

Marx’s calculations of the falling rate of profits have been problematised from a mathematical point of view, and long debates have discussed whether it is a tenable conclusion or if the counteracting factors may in fact be stronger than Marx thought. But, in a more metaphorical sense, the historical accumulation of dead labour in the form of machines, products and material wealth is a striking feature with many critical results, including the current climate crisis that also seems to threaten the very profitability that propels markets and industrial production. There is little doubt that capitalism gives rise to a spiralling chain of crises on many different levels: environmentally, financially and politically, as well as ethically.

Marx’s apparent ambivalence between capitalism as progression and as decay might well also correspond to a real ambiguity in modern society. If this reality is divided between opposite potentials, where emancipatory and civilising tendencies clash with authoritarian and impoverishing ones, in a deepening spiral movement, then there can be no automatic logic that determines the outcome of such struggles. This again triggers a long chain of tensions and contradictions that have until now continued to haunt social theorising. There are ‘objective’ reasons for a measure of wavering between determinism and voluntarism, which was also discussed at the beginning of this companion. Like Hegel but with different conclusions, Marx struggled to combine the abstract internal logic of the capitalist mode of production with its concrete historical development. His efforts to combine a teleological deciphering of the irresistible ‘laws’ and ‘tendencies’ of capitalism with an opening up for collective action to change the dynamics of history testify to this struggling on his part. Sometimes, *Capital* formulates trends in terms of inescapable necessities, while on other occasions there is room for divergent potentialities.⁴⁹

More than a century later, Bourdieu likewise tried to strike a comparable balance between social determination and creative practice, and something similar can also be said about Anthony Giddens’s duality of structure and

agency or Bruno Latour's (1947–) Actor–Network Theory. This raises issues of free will and creativity that also link back to what was previously said about character masks versus individual persons. Marx is usually careful to distinguish between the two, but it is easy to fall into the trap either of fetishising and reifying social relations and regarding human beings as passive victims of objectivised market laws, or on the contrary seeing capitalism as the product of evil capitalists who strive for maximal profits. When for instance Marx tended to describe joint-stock companies as transitory phenomena between capitalism and free association, he seemed to overinterpret the role of individual bearers of capital.

This can further be extended to the issue of violence, revolution and reform. When Marx spoke about violent force as 'the midwife of every old society which is pregnant with a new one', this was intended as an historical observation of the birth of capitalism in primitive accumulation.⁵⁰ But he elsewhere also argued for violent force as necessary also in working-class struggle. Inspired by the Paris Commune of 1871, he depicted the future socialist revolution in equally radical and violent terms and was consistently sceptical against gradual reforms. This later fed into revolutionary movements, with Leninism as a typical example. This is a problematic issue for Marxist theory.

On the one hand, one may well be sceptical against idyllic depictions of social reform, and recognise the unavoidability of violence and destruction as a much more realistic view than utopian arguments for free discussion and political consensus. This is an argument raised for instance by Chantal Mouffe (1943–) against the more reformist Jürgen Habermas, and it can also find support in texts by Giorgio Agamben (1942–) or Michel Foucault (1926–1984). For them, as for Nietzsche and others before them, politics can never get rid of agonistic conflicts, and critical theory must instead incorporate violence as a necessary means for radical change.

On the other hand, the examples of Leninism, Stalinism and Maoism, as well as of more recent anti-imperialist movements and revolutionary sects, also indicate the dangers inherent in accepting and legitimising violent means of social change. They all too easily corrupt movements and intentions, corrupting means to aims and revolutionaries to terrorists. After Gulag, it is difficult for Marxists to escape the duty of dealing in a responsible way with the ethics of democracy and transformation.

The dual character of critique

Where does radical social change come from? Marx insisted that it must have a material basis in capitalism itself and at the same time he acknowledged the role of ideas and consciousness as necessary motors of social transformation. This developed a theme from Hegel, who also sought the roots of historical dynamics in the inner contradictions of existence, rather than as an external counter-principle applied from the outside. In a letter as early as 1843, Marx advocated a radical but undogmatic 'ruthless criticism of all that exists', not 'raising any dogmatic banner':

[W]e do not confront the world in a doctrinaire way with a new principle: Here is the truth, kneel down before it! We develop new principles for the world out of the world's own principles. [...] The reform of consciousness consists only in making the world aware of its own consciousness, in awakening it out of its dream about itself, in explaining to it the meaning of its own actions. [...] Hence, our motto must be: reform of consciousness not through dogmas, but by analysing the mystical consciousness that is unintelligible to itself, whether it manifests itself in a religious or a political form. It will then become evident that the world has long dreamed of possessing something of which it has only to be conscious in order to possess it in reality. It will become evident that it is not a question of drawing a great mental dividing line between past and future, but of realising the thoughts of the past.⁵¹

Similar thoughts reappeared in *Grundrisse* (1857): 'if we did not find concealed in society as it is the material conditions of production and the corresponding relations of exchange prerequisite for a classless society, then all attempts to explode it would be quixotic'.⁵² And again in the commentary on the Paris Commune (1871): The working class has 'no ideals to realize, but to set free the elements of the new society with which old collapsing bourgeois society itself is pregnant'.⁵³

In such formulations, revolution was described as the task of developing and making conscious the inherent potentials of the existing world, like a dialectical awakening from a bad dream, which later became a key motif in Walter Benjamin's critical theory:

The realization of dream elements, in the course of waking up, is the paradigm of dialectical thinking. Thus, dialectical thinking is the organ of historical awakening. Every epoch, in fact, not only dreams the one to follow but, in dreaming, precipitates its awakening. It bears its end within itself and unfolds it – as Hegel already noticed ... by cunning. With the destabilizing of the market economy we begin to recognize the monuments of the bourgeoisie as ruins even before they have crumbled.⁵⁴

Benjamin shared similar ideas of a yet unfulfilled future-oriented potentiality inherent in history and the present not only with Hegel and Marx but also with his contemporary Ernst Bloch's philosophy of hope, utopia and the 'not-yet'.⁵⁵ Theodor W. Adorno in partly similar terms argued that any form of external or 'transcendent critique of culture is obsolete', as it speaks 'the language of false escape'. Instead he advocated a dialectical or 'immanent' criticism of culture' that 'measures culture against culture's own ideal' and, rather than putting an external ideal image against the existing social order, instead makes conscious the inner contradictions, tensions, conflicts and ambivalences that criss-cross this order.⁵⁶ Adorno's Frankfurt School colleagues Benjamin and

later Habermas were maybe better in living up to this ideal than Adorno himself, whose analysis of the dialectics of Enlightenment often tended towards a rather linear narrative of decline.

From the horizon of immanent critique, it is rather futile to distinguish between interpretation and critique. Habermas tried to do so when he in the 1960s distinguished between three knowledge interests: one related to work, technology and scientific control, one practical, focusing on interpretation, understanding and interaction, and the third one being emancipatory and critical.⁵⁷ With Ricoeur, one might well regard this differentiation as fuzzy rather than sharp. If, as mentioned above, Dilthey's and Gadamer's distinction between explanation and understanding is questioned, then the first category is more a matter of degree than of kind. And from a standpoint of immanent critique, the border between the two latter becomes particularly fragile. In important senses, interpretation and critique must be closely – and dialectically – interconnected. If one does not understand what is criticised, criticism misses its target, while on the other hand any sufficiently deep and rich understanding of the inner contradictions of capitalism also paves the way for effective critique.

Ricoeur has on various occasions discussed critical theory.⁵⁸ He has then insisted that ideology critique has a very important function for anticipating freedom and justice, and identifying the barriers towards such a better future. But at the same time, he has pointed out that critical theory also has its own historical tradition. Marx, too, stood on the shoulders of others: not only Hegel, Feuerbach, French utopian socialists and British political economists, but also a long chain of emancipatory thought that, for instance, also in desacralised form included some of the Jewish and Christian heritage. Today also, Marx is not the one and only key to critically understanding the social world. He is an important but far from unitary voice in a tradition of critique. My motivation for writing this companion is not to point him out as a great father figure, but to better understand one of the important formative versions of critical thought that well deserves to be taken seriously even today, one-and-a-half centuries later. If Marx's theories are as full of ambivalences as is capitalism itself, there *is* no single, 'correct' reading of Marx! What has been presented here is one way to understand *Capital* – an interpretation that strives to highlight what I see as the most inspiring and important elements.

It was stated back at the beginning that Marx's economy critique has a dual character. It critically scrutinised capitalist realities, but equally ideological understandings of these realities, whether in bourgeois economic theories or in everyday mentalities.

Forms of ideology and consciousness cannot just be seen as mere passive reflexes of social practices. They in fact take active part in reproducing (or transforming!) those very practices, so that there is a dialectical interaction between practice and interpretation. Before *Capital*, Marx's programme of historical materialism could be read as suggesting a rather rigid model of basis and superstructure but, both before and after, numerous passages in his work testify

to how his materialism never prevented him from acknowledging the force of understanding, and thus of meanings – of culture.

The aspect of Marxist critique that is a critique of ideology, of understanding and of culture is not to be seen as just a secondary illustration. In fact, capitalism's real social relations and practices of exploitation and oppression are to a large extent made possible and reproduced by the workings of the fetish forms to which Marx repeatedly returns in his presentation. It is by bringing such mechanisms into consciousness that humanity has a chance to break their spell. Social and cultural practices are equally important for transforming society – they are mutually interlaced in highly complex ways.

Few critical theorists today maintain that the economic relations of production constitute the only basis of contemporary society and that all current forms of consciousness can be derived from one single logic – that of commodity production. Marx's reasoning may be regarded as a most solid and rich critical analysis of *one* of the backbones of modern society (capitalist political economy) and as a more general inspiration as to how to pursue critical theorising. Still, many sense a need for a more polycentric model of modern society, which cannot be analysed in terms of the unfolding of one singular dialectic but must be understood as the result of a combination of economic-market, political-institutional and social-cultural dimensions.

Jürgen Habermas is one of those who have tried to integrate economy critique with other determinants of social relations.⁵⁹ He first added to the logics of production and labour a different dimension of interaction and communication, and problematised Marx's theories for being stuck in a production paradigm that tended to miss the different basis of communicative action, which cannot be analysed in terms of labour where individual subjects interact with objects in the world. Habermas then continued to construct a more complex model of society, where the market and the state are two different systems that in complex societies are needed to relieve the pressure on interpersonal or public communication. None of them can be reduced to a passive effect of the other. Without the market system, people would be forced to spend all their lifetime discussing how to distribute the means of existence. In Habermas's opinion, modern societies cannot do without commodity production, and he instead argues for counteracting the hypertrophy of the market system and its tendency to colonise the lifeworlds of civic society.

For Marx, commodity production is the basic social mechanism that more or less inevitably gives rise to capitalism, with the transformation of labour-power into a commodity as a key step. If there is equal exchange of commodities according to values (based on abstract labour), then there will sooner or later be money; where money fortunes can be gathered, people will be tempted to pay for others to work for them; and where human labour-power thus becomes a commodity, capitals will grow and compete with each other, in a spiral of exploitation and valorisation. Can any link in this chain be broken, how can this be done by democratic means, and what other societal mechanism could come in its place? Which social bodies should then decide over labour and

wealth? Such agreements may be feasible when there is abundance but, in times of scarcity, other procedures of balancing the needs and interests of different groups must be found, instead of the market mechanisms that have through history developed into a kind of second nature, limiting our capacities to imagine any serious alternative.

If Marx was right, nothing less than abolishing commodity production could ever permanently eliminate the catastrophic crises of fully developed capitalism. Struggles for diminishing poverty, social gaps and inequalities, redistributing wealth, counteracting monopolies, etc. – all such measures may well be worth fighting for, but none of them will from Marx' point of view have any success in overthrowing capitalism, which demands the overthrow of the basic relation between capital and wage-labour, which is in turn based on the logics of privatised commodity production.

Is it necessary to get rid of all kinds of commodities and markets in order to emancipate society from oppression, exploitation, reification and alienation? And is it possible? Marx's ideas of a free and equal association of workers collectively organising production and distribution of resources are inspiring, but can they be realised today – or tomorrow? Can resources and tasks in a complex late-modern society be distributed fairly according to needs and capacities (rather than based on exchange-value of products and/or labour-power) without overburdening everyday life and forcing everybody to endless meetings for negotiating in each particular case how to allocate material resources?

Is there any alternative? Can the destructive forces of capitalism be limited and counteracted by other means also? Habermas thinks of the public sphere as a key resource for civic society to counteract the colonising tendencies of the market and the state apparatus, and this is clearly a different solution than what Marx had in mind. From such a perspective, Marx may have been right in describing how simple commodity production leads to money that in turn transforms labour-power into a commodity and puts capital in motion, but perhaps capitalist history also gives rise to other, parallel social formations, such as states and more importantly civil societies, with movements and public spheres that build up institutions and forms of practice that might in the future be able to prevent that first mechanism from being repeated. If that were the case, then perhaps the abolition of capital and wage-labour might suffice, if the inherent tendencies of market distribution of resources to develop into those problematic forms might be blocked from breaking through.

If this remains unlikely from Marx's point of view, then how can associated individuals in large and complex late-modern societies organise production and distribution without markets or commodities? Is it possible to live a full and good life within a planned economy today? It is hard to even imagine what a commodity-free world would look like now. After the Paris Commune, historical experiments in that direction have not offered much hope, but have rather proven the great risk of barriers against capital formation becoming so high and thick that democracy is erased under authoritarian bureaucratic rule, together with the chances for the full individual development of all that was

Marx's main goal. How can such social catastrophes be prevented in a socialist society? These are all difficult questions that should be confronted on many levels, from theoretical work to political practice, and I believe they demand at least two additions to Marx's model of society.

First, to acknowledge not just one determining system, but (at least) two: those of the economic market and of the political state institutions, which certainly tend to serve the former but cannot simply be reduced to its totally subordinate servant. Marx lays the foundations for uncovering the logic of the market system, but the logic of the political and administrative power of the state has at least a relative autonomy. It is hard to say if Marx would have come to the same conclusion if he had managed to fulfil his unfinished analysis of the state, or if this could only be done at a later stage of capitalist development, when the complex dialectics between the two systems had become more visible.

Second, to acknowledge that the signifying practices of civic culture and communication cannot be reduced to a reflex of the commodity form, even though its economic relations certainly have great influence on everyday life. In people's lifeworlds, other use-value-based practices stubbornly survive, not only based on a paradigm of production or of commodity exchange. Some of the dreams of another world may well arise from the capital relation itself, as it for instance reinforces working-class collectivity. Other elements derive from the experience of concrete labour. However, crucial parts of social life cannot be reduced to labour processes, but seem to be rooted in non-commodified modes of interaction of another kind than productive labour: communicative and signifying practices that make it possible to fantasise about fictive realities and contrast them to the brute realities of the present, thus driving forward the collective will to change. Besides commodities, people also interact through communicative action, for instance when exchanging interpersonal gifts or making use of communal utilities (such as common lands, libraries or public service). When Marx addresses the working class as a formation that not only is reproduced by capital but also resists it, he implicitly does acknowledge the existence of another kind of discourse and action.

In the nineteenth century, there was yet no strongly developed theoretical understanding of *culture and communication* as a key resource and sphere of society. This emerged in the twentieth century, as a response to the intensified mediatisation of widening spheres of society, and with the later development of critical theory, cultural sociology, critical hermeneutics, symbolic interactionism and cultural studies. No wonder that Marx could not yet fully decipher and respect the structures and processes of this cultural level and aspect of social interaction. It appears to me necessary for any late-modern critical theory to integrate some kind of such understanding that takes the cultural seriously in a much more complex and multifocal manner than that found in *Capital*. Bourdieu's concept of cultural capital supplementing economic capital is one option; others might be derived for instance from Stuart Hall's cultural studies or Paul Ricoeur's theory of interpretation. Nancy Fraser (1947–), who has developed an important feminist critique of Habermas's original theory of the public

sphere, has also achieved this with her recent work on redistribution and recognition, which is another way to acknowledge that issues of symbolic representation and thus culture, which are actualised by movements concerned with gender, sexuality and ethnicity, need to be taken seriously besides the demand for redistribution of resources that is focused in most class analysis.⁶⁰ Marx's method of immanent critique can then well remain relevant for the economical processes of capitalism, but be extended and also applied to other aspects of society, thereby being able to conceptualise not only class relations but also those based on gender, ethnicity and age. Just as with class, all these other forms of social identity are based on specific ways in which social practices combine material with symbolic levels. Marx's dialectical critique of commodity fetishism and capitalist class relations remains a prime model for also understanding other late-modern contradictions in social life.

One may discern three main alternatives in how to make use of Marx's critique of capitalism.

- 1 The most orthodox solution would be to stick to Marx's own programme and strive to expand the explanatory force of his economy critique to a widening sphere of phenomena, so that, for instance, the state, media, gender and ethnicity would also be interpreted as ultimately based on a further appearance level of the capital relation.
- 2 Others have instead chosen to develop another basic theory of society and have integrated parts of Marx's analysis of capitalism into that new and allegedly more general framework. This is partly what, for example, Bourdieu and Foucault can be said to have done, with their wider concepts of symbolic value or discourses, in which the capitalist economy is reconstructed as a derived aspect rather than a primary foundation.
- 3 A third option, which in its fluid impurity I find attractive though not unproblematic, is to give up reductionist aspirations and accept that parallel social mechanisms may co-exist without totally determining each other, in a similar manner as the intersectionalist approach to identity issues argues that class, gender, ethnicity and age are intertwined but irreducible to one single mode of social relation.

Such a supplementing expansion of Marx's economy critique would result in a more polycentric or 'heterological' model of society that conceptualises a range of further contradictions and tensions. *Capital* offers a splendid inspiration for such a continued critical interpretation of the inner contradictions of contemporary capitalism.

Notes

- 1 *Capital I*: 949–950 (Results ...).
- 2 *Grundrisse*: 278.
- 3 *Capital I*: 1003 (Results ...).
- 4 *Capital I*: 1005 (Results ...).
- 5 *Capital I*: 1005–1006 (Results ...).

- 6 *Capital I*: 1008 (Results ...).
- 7 *Capital I*: 990 (Results ...).
- 8 *Capital I*: 975 (Results ...).
- 9 Holloway and Picciotto (1978); Mosley (1982).
- 10 Marxist literature here includes Amin (1970/1974) and Wallerstein (2004).
- 11 Lindner (2011).
- 12 See, for instance, Mandel (1980/1995); Shaikh (1978) and Yaffe (1972).
- 13 *Capital I*: 1027 (Results ...).
- 14 Horkheimer (1937/1991: 249).
- 15 The so-called Junius Pamphlet was written in 1915 and is found in Luxemburg (2010).
- 16 *Capital I*: 1064–1065 (Results ...).
- 17 Bloch (1959/1995).
- 18 *Capital I*: 171–172 (Chapter 1).
- 19 *Capital I*: 667 (Chapter 17).
- 20 *Capital I*: 739 (Chapter 24).
- 21 *Capital II*: 390 (Chapter 16).
- 22 *Capital III*: 911 (Chapter 46).
- 23 *Capital III*: 958–959 (Chapter 48).
- 24 Marx (1875/1970, Critique of the Gotha Programme, translation adjusted).
- 25 *Grundrisse*: 712.
- 26 See Draper (1987) for a detailed analysis of the history of this concept.
- 27 Marx (1859/1970 ‘Preface’ to *A Contribution to the Critique of Political Economy*).
- 28 Marx (1859/1970 ‘Preface’ to *A Contribution to the Critique of Political Economy*).
- 29 Marx (1867/1987), letter to Sigfrid Meyer, 30 April 1867.
- 30 Heinrich (2011: 190–191).
- 31 The founding Chairman of the Davos World Economic Forum, Professor Klaus Schwab, opening the 25 January 2012 meeting (www.weforum.org/news/federal-chancellor-angela-merkel-opens-world-economic-forum-annual-meeting).
- 32 Zelený (1962/1973); Rosdolsky (1968/1977); Reichelt (1970/1973); Krahl (1970); Schanz (1973, 1975); Lundkvist (1973, 1975); Backhaus (1974, 1975, 1997); Haug (1974/2005, 2005).
- 33 Habermas (1981/1984, 1981/1987); Ricoeur (1986); Derrida (1993/2006).
- 34 Badiou (2009/2010); Badiou and Žižek (2010, 2011).
- 35 Eagleton (2011).
- 36 Harvey (2010).
- 37 Heinrich (1991/2011, 2004, 2008); Kirchoff et al. (2004); Hoff et al. (2006); Bellofiore and Fineschi (2009) and Bonefeld & Heinrich (2011).
- 38 Ramsay (2011).
- 39 Ramsay (2011: 86ff); Ricoeur (1965/1970).
- 40 Ramsay (2011: 86).
- 41 Ramsay (2011: 87).
- 42 *Capital I*: 134 (Chapter 1).
- 43 *Capital I*: 137 (Chapter 1).
- 44 *Capital I*: 128 and 138 (Chapter 1).
- 45 Ramsay (2011: 88).
- 46 Ramsay (2011: 89).
- 47 Ramsay (2011: 90).
- 48 Ramsay (2011: 91).
- 49 Fredric Jameson (2011) also stresses this aspect.
- 50 *Capital I*: 916 (Chapter 31).
- 51 Marx (1843/1982) letter to Arnold Ruge, September 1843.
- 52 *Grundrisse*, 159.
- 53 ‘The Civil War in France’ (Marx, 1871/1986: 335).
- 54 Benjamin (1982/1999: 13).

55 Bloch (1959/1995).

56 Adorno (1955/2003: 161, 159 and 155).

57 Habermas (1968/1972).

58 Ricoeur (1981: 63–100, 1986).

59 Habermas (1981/1984, 1981/1987, 1985/1988).

60 Fraser (2008).

Postscript

This book is based on many years of collective work, in several steps. In 1974, I became involved in publishing a Swedish translation of the German introduction to *Capital I*, *Zur Kritik der Politischen Ökonomie* (1972) by Marx-Arbeitsgruppe Historiker. This inspired Donald Broady to write a Swedish companion booklet called *Grundcirkel* (1976), intended for groups studying Marxist theory. These and other interpretations of Marx's economy critique were used in independent study circles that I organised together with others in Göteborg from 1974 to 1983. In all, one hundred people took these grassroots evening courses, getting a thorough introduction to Marxist theory. In this process, I wrote extensive supplementary pedagogic materials and also summarised Volumes II and III, which were otherwise often neglected. These educational texts and activities were directed towards a general readership willing to understand the basic ideas of Marx.

Three decades have since passed. Since 1983, this study material has been buried in the archives. Now, in a new millennium, it came to my notice that there is again a rising interest in Marx's capitalist critique, where younger generations eagerly look for useful introductions and commentary, tempting me to brush up those old dusty stencils again. In spring 2011, the British sociologist Beverley Skeggs urged me to blow new life into this old project, not only to make the material publicly accessible but also to translate it into English. Other international friends also encouraged this idea, including the French cinema and media scholar Roger Odin. This is the result. I have rewritten everything into one coherent text and added some new sections. It is based on well-tested study material, and I hope it will serve its purposes even better than in its former incarnations.

It has been a tough job to resurrect this introductory companion to *Capital* Volumes I–III. Much has happened in these 30 years, and it has been tempting to develop and problematise certain passages, for three main reasons:

- 1 Lots of other secondary literature has been published, as mentioned in the last chapter. This indicates a renewed global interest in these perspectives, but also makes it even harder to make fair references to all others that would deserve it. My solution has been to stick with the original idea of a general

- introduction that focuses on the dialogue with Marx's own work, largely leaving to others to rethink its importance or summarise current Marxist debates.
- 2 The political world situation has replaced some old issues with new ones. Here I have deleted some time-specific side-tracks in my original manuscript and even more strongly focused on the Marx reading itself, but also refrained from making too obvious references to contemporary issues, as they tend quickly to become obsolete.
 - 3 I have also changed, and developed my own academic agenda, where my reading of Marx has merged with general background knowledge. It was tempting to bring in my other theoretical luggage instead of faithfully keeping Marx at the centre. I have resisted this temptation, since the point of this book is different. I have written this focused introduction without being myself only a strict Marxist. And just as I have walked many other paths since then, I hope that each reader will make independent and original use of it. I have therefore in sum strived to keep this text close to the original and made only a few concessions to later developments.

A second reason for my difficulties derived from the translation into English. Languages are no innocent carriers of meaning. Transferring Swedish into English made it even harder to help understand Marx's post-Hegelian dialectics. Still, only at some key points have I made brief comments as to the choice of terms and concepts in the English translations of German originals.

Most Marxist ideas resonate well with current debates, but some clearly differ from most other contemporary critical theories. Precisely the Hegelian heritage has for instance been questioned by Michel Foucault, Gilles Deleuze and others. This book instead sticks as closely as possible to what Marx wrote, trying to make it intelligible for a contemporary world citizen. Not everybody will be comfortable with this, but I hope that it will inspire readers to think for themselves and use what they get from Marx to develop their own understandings of modern society.

This book owes lots to the discussions we once had in our study circles. In particular, I am most grateful to Donald Broady who let me freely reuse his work in some chapters, and to Anders Frenander, Örjan Emilsson, Hans Ödman and all others who 30 years ago helped run the study circles and produce the texts that are here finally integrated into one coherent volume, which is in several senses the result of a collective endeavour. I am also grateful to New Left Review and Penguin for allowing reproduction of substantial quotes from their Marx editions, Södertörn University for helping cover the corresponding copyright costs, and to all at Routledge who made such great efforts to make the best out of my manuscript.

Questions for reflection and discussion

In order to aid the learning process, here is a set of questions for each chapter. These questions are meant as a starting point for reflecting upon what is presented in the main text, and for discussing problematic points in Marx's own text.

Chapter 2: Method

- 1 What is the critique of political economy? What does each of these terms imply? Is this really the core of Marxism, and what are its main alternatives?
- 2 Define productive forces, relations of production, mode of production, base and superstructure.
- 3 What is idealism and materialism? How do these concepts relate to the relation between object and method of study?
- 4 Give some examples of essences and forms of appearance. What does it mean that 'the essence must appear'?
- 5 What is meant here with essence, abstract, simple and general – in opposition to appearance, concrete, complex and particular – and why can these conceptual pairs be linked to each other?
- 6 What is 'inquiry' and what is 'presentation' in Marxism? Does the reader of *Capital* need to make her or his own inquiry and, if so, in what form?
- 7 Why is abstract essence as real as what can be directly experienced with one's senses? Why is it common to regard abstractions as lofty thought constructions that hover high above common practices and to feel like standing with one's feet on firm ground when abstractions are avoided? Use examples from commodity analysis to discuss this.
- 8 Discuss the levels of abstraction in economy critique and consider their pedagogical advantages and disadvantages.

Chapter 3: Commodity and money

- 1 Under which conditions is the labour product a commodity? How are private property, division of labour and exchange interconnected? In broad terms, how have each of them developed historically?
- 2 Marx regards the commodity as a unity of use-value and value. (a) What is use-value? Do luxury items have use-value? A painting in a safe-deposit box? The bread you bake at home? (b) What is value? In what way is exchange-value a form of appearance of value? Has your home-baked bread any exchange-value, and under which conditions is it a commodity?
- 3 What does the contradiction between concrete-private and abstract-societal labour imply? What is its relation to that between use-value and value?
- 4 How are value sizes determined? Why not by the individual labour-time actually spent on making a specific commodity? What is socially necessary labour-time?
- 5 What has happened from when you trade 10 yards of linen for a coat until you buy the coat in a mall? Describe the development from elementary, through extended, to general forms of value.
- 6 What is money? What can serve as money? What functions does money have?
- 7 From where is the concept of fetishism derived? Give some examples of commodity fetishism.

- 8 Look in various media for illustrations of the concepts of commodity and money to see how they are commonly understood today. Advertisements as well as quotation dictionaries provide fascinating examples.

Chapter 4: From money to capital

- 1 What is capital?
- 2 What is surplus-value, and why can it not be derived from the sphere of circulation?
- 3 Describe the transformation of money into capital.
- 4 How is the value of labour-power determined? What is its use-value? What is the difference between labour-power and labour? Does labour itself have a value?
- 5 What distinguishes wage-labour from previous forms of labour (in tribal societies, slavery or serfdom)?
- 6 Looking back to simple commodity production: what is it, has it ever fully existed and why does Marx make it the starting point of his presentation?
- 7 Where do the ideals of freedom and equality come from? In what way are they ideological (both true and false) as descriptions of capitalist society? Which are their main advantages and disadvantages in the struggle for emancipation?

Chapter 5: Surplus

- 1 How does the dual character of labour appear in the capitalist production process? What values of a commodity are of interest to the worker who produces it? To the one who buys it? To the capitalist? What aspect of the worker interests the capitalist?
- 2 What is the main difference between the functions of means of production and labour-power in the production of value? From where does the value in a highly automatised factory come?
- 3 What is constant and variable capital? Why is this distinction important? What is the total value of the product? The created value product? The rate of surplus-value? The relation between necessary and surplus labour?
- 4 Is it possible to say that, like constant capital, variable capital, corresponding to the value of labour-power, is transferred onto the commodity product?
- 5 What is the mass of surplus-value? Does capital tend to transform populations into wage-labourers, and if so, why?
- 6 How can extra surplus-value arise? How is it transformed into relative surplus-value?
- 7 What is the difference between absolute and relative surplus-value?
- 8 What would happen with relative surplus-value if food and housing became incredibly cheap? How can the productivity of labour thus affect the production of relative surplus-value?

- 9 How are the forms of working-class struggle related to the two capitalist modes of surplus-value production? How can capitalists respond?
- 10 What is meant by character masks? Classes are one example, but are there also others? Think of the salesman in a store, for instance.

Chapter 6: Production

- 1 What are the consequences of the division of labour for the worker, and for the capitalist?
- 2 How does manufacture function? What distinguishes it from simple co-operation and from industry?
- 3 What is the intensification of labour? What are its implications for value production? What is the difference between intensity and productivity of labour?
- 4 How is the value of labour-power affected by the development of productive forces? Of changes in labour intensity, productivity or length of the working day?
- 5 What makes the value of labour-power appear as payment for labour, and how can commodity fetishism help explain that effect of the wage-form?
- 6 How does the gender division of labour affect the value of labour-power? What would happen if all housework were transformed into wage-labour?
- 7 What is the relation between trade unions and green movements in regard to ecological issues?
- 8 In certain periods, such as the 1970s, a series of wildcat strikes have been directed against stress due to piecework. How come capitalists have then often found it easier to offer higher wages than to introduce fixed time-wage?
- 9 What is the fetish character of capital? How does it relate to that of the commodity?

Chapter 7: Accumulation

- 1 What is the difference between simple and extended reproduction? What is capital accumulation?
- 2 What is the organic composition of capital?
- 3 What is the difference between concentration and centralisation of capital?
- 4 How does the centralisation of capital affect accumulation?
- 5 How is the industrial reserve army created? How does it affect the social conditions of the working class? Which groups tend first to have to join that army? How can the state either diminish it or hide it away in statistics?
- 6 What is 'the general law of capitalist accumulation'? Is the impoverishment theory right or wrong?

Chapter 8: Primitive accumulation

- 1 How can the logical order of presentation be so different from the historical one?

- 2 What was the most important means of production in feudalism? Which were its main classes? How did ancient slave societies differ from the feudal mode of production?
- 3 Is it true that capitalism is not oriented towards needs? Does not the market see to it that production corresponds to needs? Is it not the capitalists' need for profits that governs capitalist production?
- 4 Compare the conditions of workers in different societies: compare the wage-labourer with the clansman, the slave, the serf farmer and the guild craftsman.
- 5 How are key categories like property, work, time and freedom understood in different societies, and what explains the differences?
- 6 In which key historical turning points have political factors (class struggle, legislation, etc.) or economic factors (such as trade) been instrumental for the establishment of capitalism?
- 7 What were the main conditions that had to be established for capitalism to be born and function as a society-wide mode of production?
- 8 In what ways does capitalism create necessary conditions for its own transformation into socialism?

Chapter 9: Circulation of capital

- 1 Circulation was already touched upon in Volume I, but has now been further analysed as a process and a sphere of its own. How can it be analysed by the combination of three approaches, focusing on either money capital, productive capital or commodity capital?
- 2 Construct different examples to illustrate the interrelations between labour-time, functional time, production time, circulation time and turnover time.
- 3 By 'productive labour', Marx means labour that is productive to capital. It presupposes a production of use-values, but this is not a sufficient condition. Some theoreticians have found it necessary to distinguish what is productive for an individual capital from what is productive for total societal capital as a whole. Analyse whether different professions are usually productive or unproductive in capitalism: weapons industry employees, postmen, truck drivers, storage workers, physicians, journalists etc.
- 4 When Marx argues that public health servants are unproductive, does he then support a bourgeois view of labour?
- 5 What does the distinction between fixed and fluid capital mean for the capitalist, and for the worker? How does it differ from the distinction between constant and variable capital?
- 6 Assume that a capital consists of a fixed capital fraction of £1 million with a 10-year turnover time and a fluid capital of £10,000 turning over ten times each year. If the real rate of surplus-value is 100 per cent, how big is the annual rate of surplus-value?

Chapter 10: Reproduction of the total capital

- 1 Why is it best to construct these reproduction schemes on the basis of the circulation of commodity capital, rather than money or productive capital?
- 2 If there is never any simple reproduction in capitalism, why does Marx use that concept?
- 3 Exemplify which kinds of products are made in departments I and II.
- 4 One may well add more departments and get a more complex model, for instance by constructing a department III for luxury goods and everything else that is consumed in an unproductive way. Test this yourself and reflect upon why only two departments have been included in these models.
- 5 What do the equations for the equilibrium requirement in simple end expanded reproduction actually mean?
- 6 What do these reproduction models prove? That capitalism can reproduce itself smoothly? That some interrelations between production sectors are necessary in all modes of production? In the first half of the twentieth century, such issues were debated by Marxist economy critics such as Rosa Luxemburg and Henryk Grossman, not least in relation to the industrialisation of the Soviet Union. Are they still relevant today?
- 7 Reconstruct the accumulation scheme on the condition that the organic composition is equal in both departments. A new scheme may for instance start like this:

I. $5000c + 1000v + 1000m = 7000$ in means of production.

II. $1430c + 285v + 285m = 2000$ in means of consumption.

During the first year, a total value of 9000 is thus again produced, but differently distributed between the departments. Assume that the capitalists in department I accumulate half their surplus-value, and calculate the consequences over a couple of periods.

Chapter 11: The rate of profit

- 1 How (and why) can we distinguish (rate of) profit from (rate of) surplus-value?
- 2 How does competition between branches function? Between capitals within a branch? What effects do these basic kinds of competition have on commodity values and prices, and on the historical development of production?
- 3 Define value, cost price, production price and market value. What is the point of presenting them in precisely this order? Can competition within branches be analysed before competition between branches, so that market prices are defined before production prices?
- 4 What effects does competition have on the living conditions of the working class in capitalism? How does it affect its material situation and the dominant forms of consciousness?
- 5 Go back to the scheme of expanded reproduction in the previous chapter. Have a look both at the scheme in the main text and the alternative sketched

in the last question. Calculate the rates of profit in both cases, and separately for departments I and II. What effects would these rates of profit have? In reality, the organic composition does not end up on the same level for all sectors of society, but the rate of profit does. Which of the two variants can be regarded as most realistic, and why?

Chapter 12: Crises

- 1 How does the tendency of the rate of profit to fall arise? What is its connection to the inner contradictions of capitalist commodity production?
- 2 What are the main counteracting factors and why can they never definitely arrest the fall of the rate of profit?
- 3 Describe how some alternative explanations of the crisis deal with the relation between its fundamental causes and surface effects.
- 4 Take a look at contemporary debates about capitalist crises and try to find main discourses, themes and positions in these debates.
- 5 Go through the phases of the crisis cycle and discuss how they have been modified by various factors in recent times.
- 6 What are the implications of the falling rate of profit and the crises for capital, for the working class, for productive forces and for the possibilities of socialism?

Chapter 13: Trade, banks and land

- 1 Compare merchants' commercial profits with money capital's interest and landlords' ground-rent: what are the main similarities and differences? From where do they stem, how are their sizes determined, who gets them and what are their effects on the valorisation process?
- 2 Compare the roles of tradesmen, usurers and landlords before capitalism with mature capitalism. How do their functions change in society? Are they more or less or equally important today?
- 3 How do joint-stock companies, workers' co-operatives and wage-earners' investment funds relate to interest and the credit system, and what are their effects on capitalist accumulation?
- 4 How are different classes and capital accumulation affected when interest rates move up or down?
- 5 Who gets the ground-rent for waterfalls, oil sources, deep-sea fishing or building sites? What happens if any of these natural resources are nationalised?
- 6 What happens if landowners increase or decrease absolute rents? How is differential rent affected by new production technologies? What is the role of ground-rents in periods of shortage or crisis in the supply of energy, minerals, livestock or crops?

Chapter 14: Mystifying realities

- 1 Why are ideologies not just pure deception? How come so many elements of bourgeois ideology have found support in such great parts of the working class?

- 2 How can ideological thought-forms be broken? From where do fetish formations derive, and from where comes their incompleteness that makes it possible to criticise and get rid of them?
- 3 What is true and what is false in the trinity formula?
- 4 Which are the main functions of capitalist competition?
- 5 Use an example to study what happens when capitalist categories are projected onto a pre-capitalist society.

Chapter 15: Futures

- 1 Look back and try to remember the overall structure of *Capital I–III*. How did the value-form develop through the levels of presentation? Surplus-value? Contradictions? The fetish character? The civilising function of capital? The tendency to create crisis?
- 2 Marx's categories can be used to analyse aspects of one's own life. It is then important to note when important contradictions or tensions turn up, related to the dual character of capitalism at all levels. Do you produce value? Use-value – for whom? Commodities? Surplus-value? Is your labour-power a commodity? How is its value determined? How does it tend to move over time? What is the use-value of your labour-power used for? Who is your employer? Is your work part of a valorisation process, as wage-labourer in capitalist production? If you have some other position, which functions does your work fulfil in relation to the reproduction of capital and of the working class? If you do not sell your labour-power, what kinds of use-value do you then produce? If you for instance are a student, from where do your means of subsistence derive, and what are the implications of your studies for the future value of your labour-power? What role does money have in your work? How do you experience the tension between concrete and abstract labour at work? What main contradictions do you experience and what are their causes and effects? How about leisure: communications, consumption, housing and family? What is private and public in your life? In which contexts do you interact with others, and how? What do all these factors mean for your consciousness? Which thought forms do you tend to be particularly inflected by, on the basis of your position in society? Which illusions are you particularly good at seeing through and to which may you perhaps be a particularly easy victim?
- 3 Discuss the role of labour in Marx's post-capitalist visions.
- 4 Are socialism and Marxism science or utopian ideology?
- 5 What made Marx able to formulate the critique of political economy? Can his *Capital* still be relevant today?
- 6 Which revisions of Marx's theory might be necessary today? Can late-modern society function without commodity production, markets or wage-labour? Is there any way to prevent the commodity form from developing into unfair exploitation, fetishism and alienation?
- 7 Go out and look for ways to continue studying, criticising and revolutionising capitalism!

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