

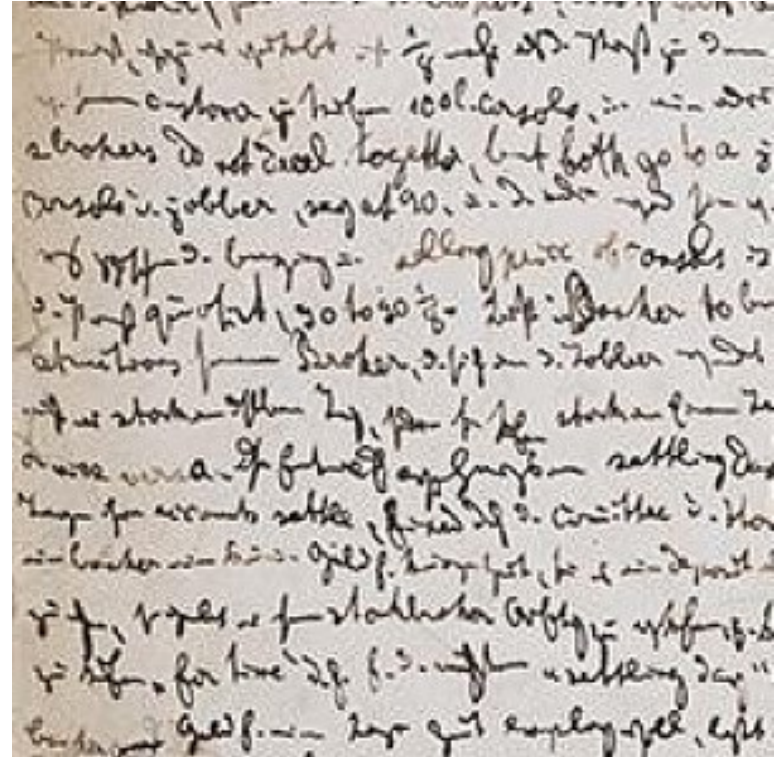


Grundrisse - #1 - Introduction to Critique (83-111)

Spurred on by an economic crisis in 1857, Marx accelerated the economic studies he'd been working on since 1851. "I am working madly through the nights on a synthesis... so that I at least have the main principles clear before the deluge". He wrote a great mass of notes, from which in the short term he published only a short and somewhat technical write-up, the *Contribution to the Critique of Political Economy* in 1859.

Wider-ranging but also rough notes

The notes ranged in some ways wider than what Marx wrote up in *Capital* (1867). They are of interest for that, and also as showing us the development of ideas like the difference between labour-power and labour, presented in a deliberately "flat" and matter-of-fact way on *Capital*. But they are only rough notes!



The fate of the notes, and of the Introduction



Until 1953 the notes remained in the archives, largely unknown, and it was only from the late 1960s that they were translated and widely discussed. Two exceptions: the two sections written as "drafts" rather than just notes: the "Introduction" (discussed this week) and "Bastiat and Carey" (next week). They were published in 1903-4. Marx mentioned the "Introduction" in his 1859 book, but said he had decided not to include it.

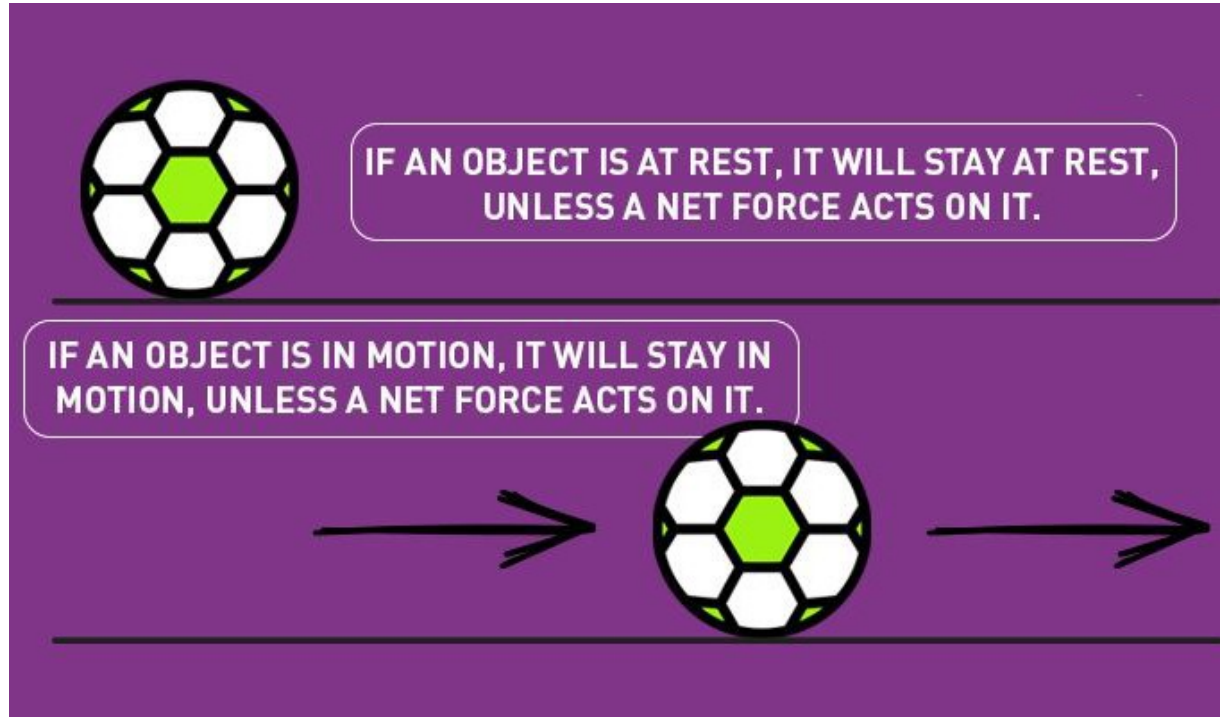
About beginnings - or conclusions?

It looks as first as if the Introduction is about how to start the analysis - but in the 1859 book Marx says he left it aside because it contained general conclusions not yet justified. It looks as if Marx when writing it had in mind John Stuart Mill's *Principles of Political Economy*, which starts with a section on "the general conditions of production". Marx explains why that's wrong, but actually gives no answer about a better place to start.



The abstract and the concrete

But Marx does argue that analysis should identify the main abstract concepts, and then build up a detailed concrete picture by developing their interactions. A bit like Newton's approach in physics...



The individual; money; labour in different societies



He also argues that the abstract concepts develop in different shapes in different societies, and in economics become fully developed only in more developed societies. He argues this for:

- The individual
- Money
- Labour

"The abstraction... labour... becomes true in practice for the first time in the United States".

"The standpoint of the isolated individual [comes with] the most developed social relations"

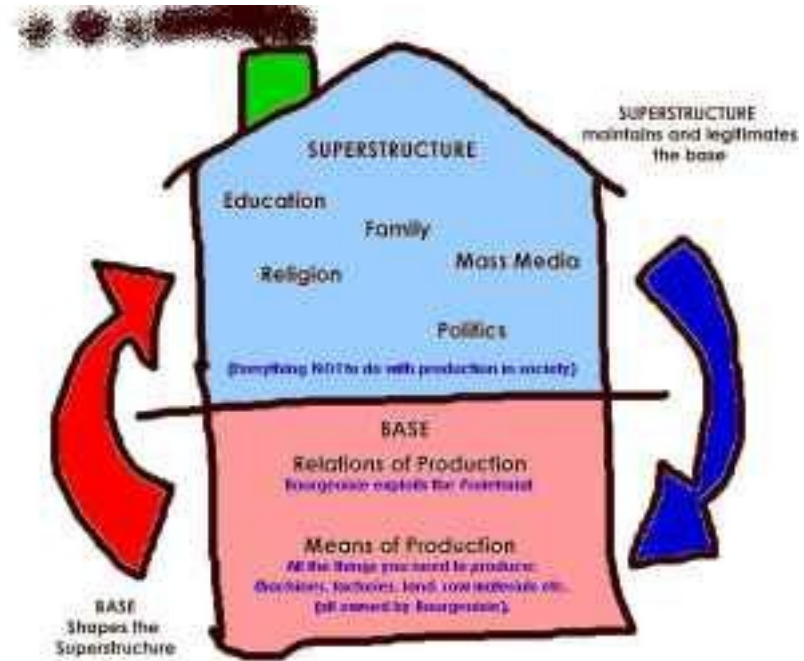
How Marx and others started



Alfred Marshall, following Mill, started his *Principles of Economics* with a chapter saying he would analyse wealth and human economic motives. Adam Smith started on Division of Labour; Ricardo, on Value. Greg Mankiw's modern economics textbook starts on allocation of scarce resources, in households or in society. In the *Contribution* and in *Capital* Marx starts, like Ricardo, with value, but says he is studying that within "bourgeois" or "capitalist" society, which he has not yet defined.

"Base and superstructure"

The preface to the 1859 book will become the main "authority" for seeing society in terms of base and superstructure. In the *Introduction* Marx argues or assumes that production is basic. He also argues that production is part of an interconnected whole with distribution and consumption. And he ends the Introduction by discussing how art from a different era of production can still be "timely" in a whole different epoch.

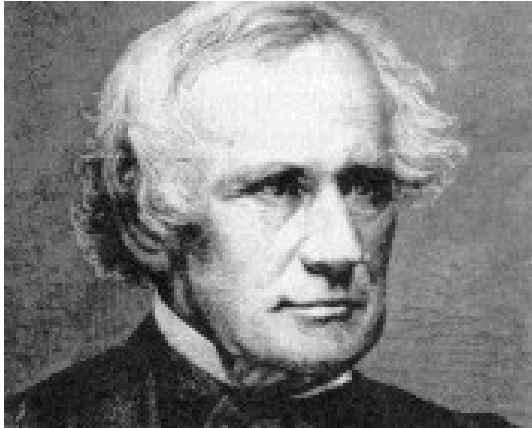




Grundrisse - #2 - Bastiat and Carey (883-893)

The pages on Bastiat and Carey are at the end of the printed *Grundrisse*. But they were written earlier than the rest, and like the *Introduction* are more like a draft chapter or article than rough notes.

"The only exceptions seem to be... Carey... and Bastiat"



In these pages Marx says Carey and Bastiat may be exceptions. On closer examination he concluded otherwise! "It is impossible to pursue this nonsense any further". Both Carey and Bastiat were polemical economists. Bastiat, main work 1850, a strident free-marketer. Carey, main works 1860s, later an adviser to Abraham Lincoln, one who believed in the harmony of the free market but also in the need for protectionism and state credit to enable that harmony to flower.

Bastiat - an anti-socialist liberal

Bastiat opposed both the protectionist policies of the pre-1848 French regime and the socialists, in the name of "affected and formally-logical" arguments about "Economic Harmonies"

"The state is the great fictitious entity by which everyone seeks to live at the expense of everyone else."

-Frédéric Bastiat



A dialectical critique

To Carey's combination of "principled optimism" about a harmonious ideal capitalism, and "irritated pessimism" about the real capitalism "distorted" by the UK as the Great Satan of those days, Marx counterposed an objective dialectical critique of capitalism as creating conditions for advance precisely by its *disharmony*.



"Socialism... finds its theoretical presupposition... in Ricardo"

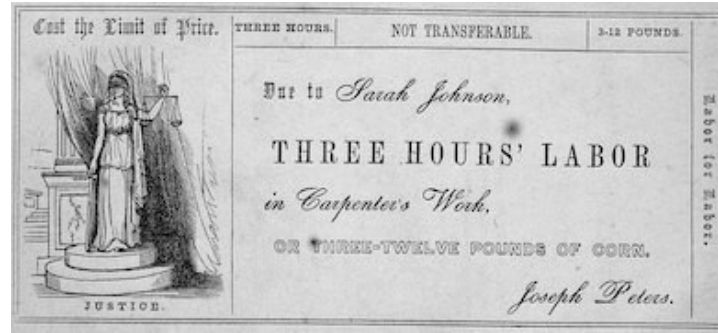
Marx developed his economics mainly from critique of Smith and Ricardo and of socialist writers many of whom based themselves on Ricardo (a liberal reformer who wrote his *Principles* in 1817). He never discussed what is now called "neoclassical" economics, which developed from the 1870s, and he regarded most economic writings since Ricardo as dross or only detailed elaboration.



Wages good because they give fixed income?



Bastiat argued that wages were advantageous because they gave workers fixed income, whereas capitalists had to run risks in the market. Marx responds (1) Bastiat gets this only by contrasting the wage-worker with someone in a hunter-gatherer economy, whereas wage-work develops as a *more fluid* form out of slavery, serfdom, etc. where the producer's position is *more* fixed; and (2) it is like Don Quixote telling Sancha Panza that "although he gets all the beatings, at least he is not required to be brave".



Grundrisse - #3 - "Free credit" and Proudhonist socialism (115-134)

The main body of the *Grundrisse* starts with discussions of *money* spun out of polemics against Proudhon and his followers, the main socialist current at the time especially in France. It starts with a polemic against an offshoot of Proudhon's theory, "free credit", before going to the core: fair exchange and "labour money"

Why bother with Proudhon?

"Communism must get rid of this 'false brother'"

Recommending the 1859 book in which he wrote up these first bits of the *Grundrisse*, Marx told a friend in the USA: "the foundation is also destroyed of the Proudhonist socialism now fashionable in France, which wants to leave private property in existence but to organise the exchange of private products; which wants commodities but not money. Communism must first of all get rid of this 'false brother'."



Who was Darimon? Péréire? The Crédit Mobilier?



In January 1857 Marx wrote to Engels: "I have here a recent piece by one of Proudhon's disciples: *Reform of the Banks*, by Alfred Darimon. Same old tale: the demonetisation of gold and silver, or rather than all commodities should be transformed into instruments of exchange on the same level as gold and silver". The Chapter on Money starts with a critique of Darimon. Marx refers (p.120-1) to Isaac Péréire. He and his brother Émile were former followers of Saint-Simon's socialism who ran the government-sponsored Crédit Mobilier, founded in 1852, the most important bank of the time organising credit for industry. (An unconnected US Crédit Mobilier was in a big financial scandal in 1873).

Why were people agitated about money supply and precious metals?

In the 1st half of the 19th century money was still mostly coins with intrinsic metal value, gold, silver, copper. Mostly coppers for workers, since 3s a day was a good wage. (Bronze was used for "coppers" from 1860s, cupro-nickel for "silver" from 1947, gold coins retired from 1931: Today's £1 has about 4p metal value). Banknotes were rare documents, handwritten in England until 1855. England was on a gold standard; France was on a dual silver-gold standard (mid-1850s: people melted down silver coins because the silver-gold ratio changed with gold production from California and Australia). For commercial transactions "bills of exchange" were widely used.



An 1843 bill of exchange. It could be used for further transactions by "endorsing" it on the back



1856: £69M outside banks in coins, £37M in notes

Crédit Mobilier was easy credit. Proudhon's later socialism, as per Darimon, was free credit.

Crédit Mobilier offered easier credit. Proudhon demanded free credit. In his 1865 obituary of Proudhon, Marx wrote: **"Proudhon's discovery of 'crédit gratuit' and the 'people's bank' (banque du peuple), based upon it, were his last economic 'deeds'... To regard interest-bearing capital as the main form of capital and to try to make a particular form of the credit system comprising the alleged abolition of interest, the basis for a transformation of society is an out-and-out petty-bourgeois fantasy..."**



FREE MONEY

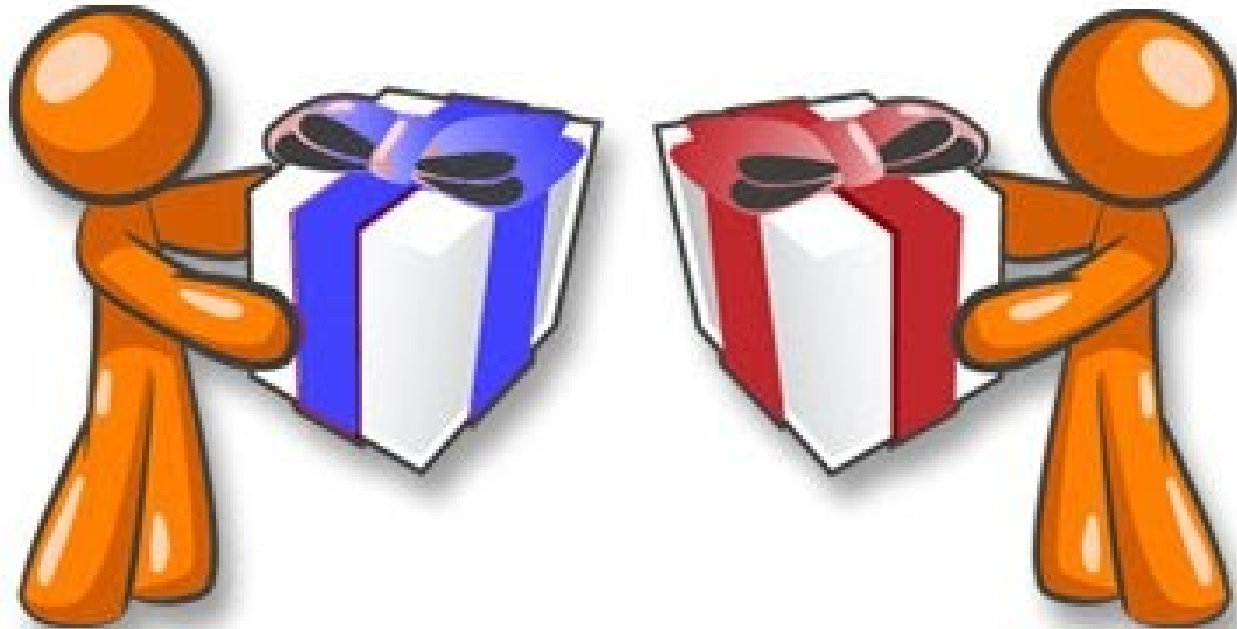
A Debate on Capital, Interest and Free Credit.



PART I. MUTUAL CREDIT &
CAPITAL'S CLAIM TO INCREASE.

Pierre-Joseph Proudhon
Frédéric Bastiat

Not tweaking but overthrowing



Marx's argument in this and the following passages is that socialism requires not tweaking the bourgeois market system to make it fair, but its complete replacement.

Why was there a shortage of cash and shortage of credit? How did bimetallism become a big radical issue in the USA later?



The credit system was undeveloped, operating mainly through handwritten bills of exchange and banknotes. Credit was underdeveloped, and shortage of demands was often seen as physical shortage of cash. Scottish banks pioneered banknotes, cheques, overdrafts, thus Marx's comment that **"Scotland shows how... the evils Darimon bewails can be abolished... [yet] the class contradiction has reached an even higher degree"** (p.133). Left: cartoon of William Jennings Bryan's famous 1896 presidential campaigning speech denouncing US post-1873 gold standard and demanding a dual silver-gold standard.

From the socialist heights to the bourgeois plains

Engels, writing from Paris to Marx in 1844, described his arguments with the Proudhonist workers then: "Blokes who cannot manage to keep six sous in their pockets to go to a wine saloon on the evenings they meet hope to buy up toute la belle France [all the workshops] out of their savings". Darimon proposed free credit instead: "Instead of the workers *taking* the capitalists' capital, the capitalists are supposed to be *compelled to give it to them*" (p.123). Insofar as Darimon talked about easing credit, reducing required gold reserves, etc. the question came down (p.120) "from the socialist heights down to the practical bourgeois plains where we find it promenading among the majority of the English bourgeois opponents of the Bank of England" (who Marx thought right in their own terms).



The Bank Act of 1844, restricting note issue, which Marx and others criticised

Abolishing money within the bourgeois system

"Darimon [says]: abolish the privilege of gold and silver, degrade them to the rank of all other commodities... Abolish money by making every commodity money... [But] the real question is: does not the bourgeois system of exchange itself... necessarily create a specific equivalent for all values?" (p.127)

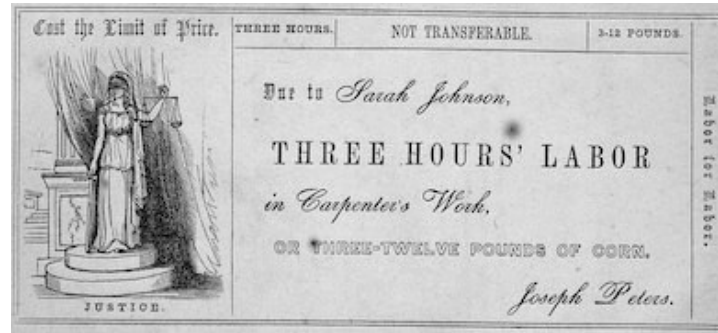


Some points for discussion

1. In *The Civil War in France*, Marx wrote: "The working class... have no ready-made utopias to introduce par décret du peuple... They have no ideals to realize, but to set free the elements of the new society with which old collapsing bourgeois society itself is pregnant". Could we say the Proudhonists were trying to do the same by maximising the free-exchange "good side" of bourgeois society and minimising the interest-payment "bad side"?

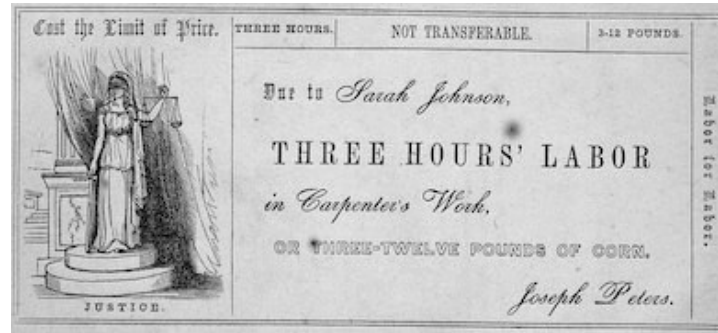
2. In *The Poverty of Philosophy*, Marx retorts: "It is the bad side that produces the movement which makes history, by providing a struggle". Does Darimon's program cut against struggle?





Grundrisse - #4 - "Labour-money" (135-172)

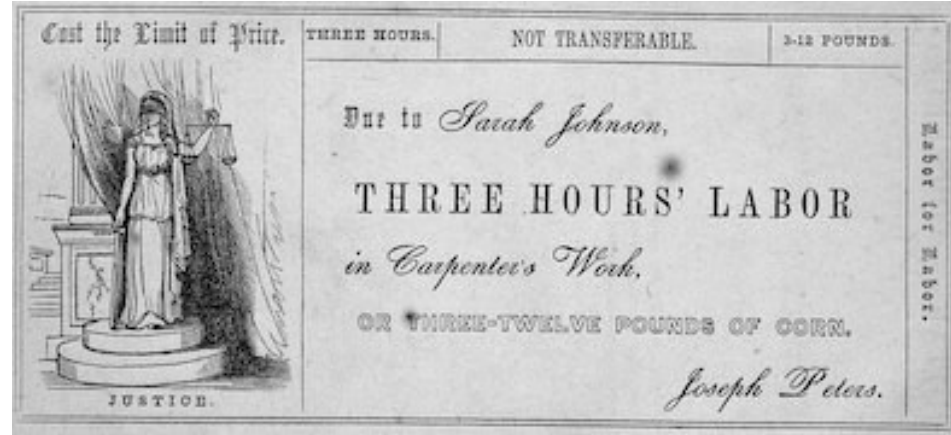
On these pages Marx takes up a core idea of Proudhon and many other socialists of the time: that money based on gold could be replaced by *money based on labour-time*, for example by saying that a gold coin of a certain weight represented one hour's labour-time, and then workers could get a fair deal by always being paid eight hours' "money" for eight hours' labour.



Grundrisse - #4 - "Labour-money" (135-172)

On these pages Marx takes up a core idea of Proudhon and many other socialists of the time: that money based on gold could be replaced by *money based on labour-time*, for example by saying that a gold coin of a certain weight represented one hour's labour-time, and then workers could get a fair deal by always being paid eight hours' "money" for eight hours' labour.

Labour Exchanges



At Grays Inn Rd and Charlotte St in London and in Birmingham (1832-4), in Cincinnati, USA (1827-30), and in other places, "Labour Exchanges" were set up where craft workers could bring their products, get "labour money" for them, and buy others' products with that "labour money". They never got beyond short-lived experiments, but the general idea was popular for decades after.

"Full fruits of labour" is a petty-bourgeois demand

Later, in the *Critique of the Gotha Program*, Marx would explain that "full fruits of labour" is a demand tailored to the situation of the small producer producing goods by his or her individual effort. In developed capitalist production, it is impossible to identify the individual "proceeds of labour" of the individual worker. And the basic drive of socialist development must be to convert more and more of the social product to general social use, not individual consumption. The "full fruits" demand also means that children, sick people, elderly people become dependent on a worker for their subsistence - through the family, in fact. Thus Proudhon, as Marx put it in a letter to Annenkov, in 1846, "sings the praises of the petty bourgeoisie and of the miserable patriarchal amorous illusions of the domestic hearth". In the *Grundrisse* Marx is more concerned to explain that the "problems" of money as a *special commodity* are inescapable in a *world of commodities*.



"This demand can be satisfied only under conditions where it can no longer be raised" (p.172)



Marx argues that for money directly to reflect labour-time: (1) each individual labour must be part of planned social labour and known to be of average productivity; and (2) social supply and demand must constantly balance. In other words, you must already have a full-on socialist economy, and in that case you don't need the commodity form and money.

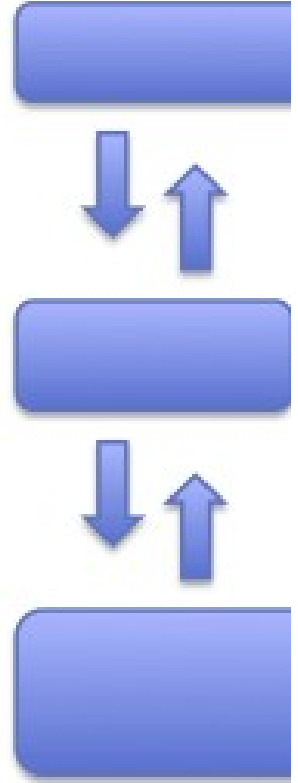
The un-labour theory of value



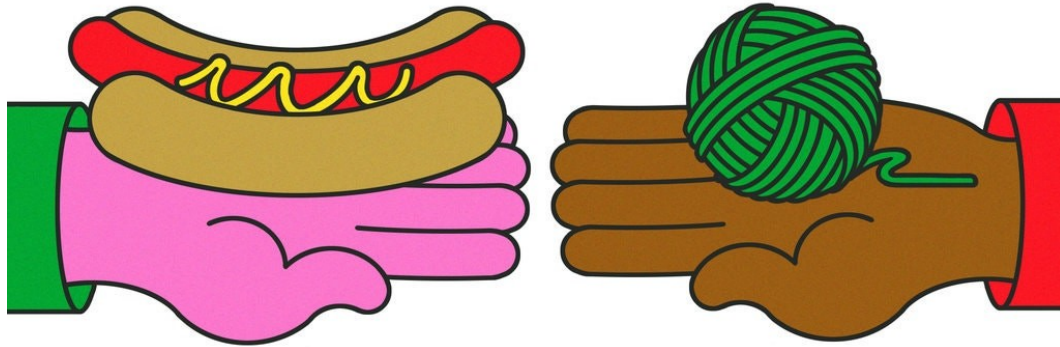
There is an "inconvertibility between real value [i.e. labour-time] and market-value" (p.139). The "average [labour-time for a commodity] appears as an external abstraction" (p.137). The labour-time would need "to be authentically verified (which is not as easy as assaying the purity and weight of gold and silver)" (p.153). There would have to be a "time-chit bank" as "general buyer and seller, but also the general producer" (p.155), otherwise time-chits would be no more money than a "theatre pass" (p.155).

Individual labour-time, social labour-time, value, price

In some passages Marx is clear that exchange-value *is* price ("**the exchange-value of a commodity... is *money***" (p.142; see also "**exchange-value (price)**" p.187); in others he mixes up exchange-value and value (p.139, p.190, p.207). I think he never gets it quite clear that there are *two* levels of mediation here. Individual labour is not directly social labour. Social labour is not directly price.



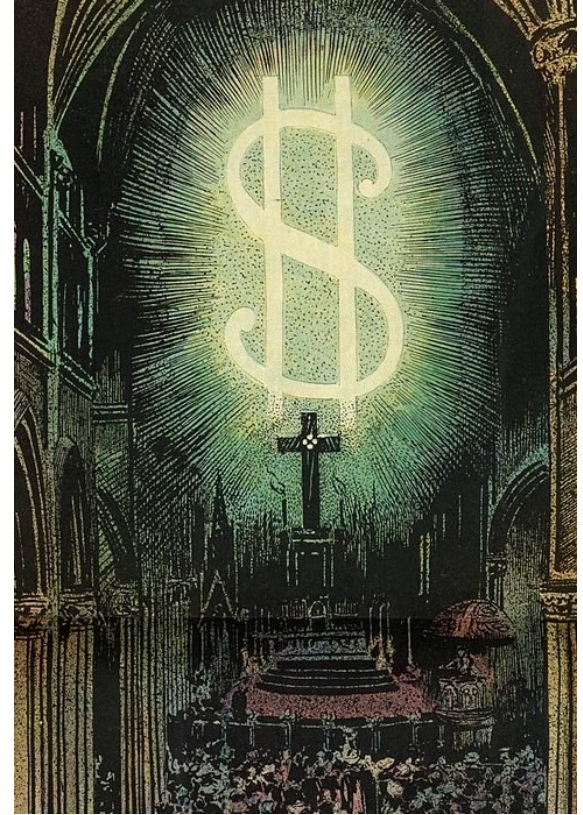
Money does not arise out of barter by convention



The standard story of money emerging from barter as a convention to ease exchange is nonsense. **"Money does not arise by convention, any more than the State does"** (p.165). On the contrary, *generalised* commodity exchange generates a differentiation of commodities into two categories, with one category containing only one commodity, i.e. money. (Also: **"No example of a barter economy, pure and simple, has ever been described, let alone the emergence from it of money; all available ethnography suggests that there never has been such a thing"** - Caroline Humphrey, bit.ly/h-bart).

Money is not just a commodity among others, or a "chit". It is a "social power"

A general-commodity-exchange world cannot be "democratic" with all commodities having equal status. It generates money as **"the god among commodities"** (p.221). Marx does a first draft of the arguments he will develop in *Capital* ch.1 secs.3 and 4 about commodity-economy generating a separating-out of money, and money becoming a "social power", the individual's "bond with society". **"The social connection between persons is transformed into a social relation between things"** (p.157).



Three social forms: tributary, bourgeois, socialist

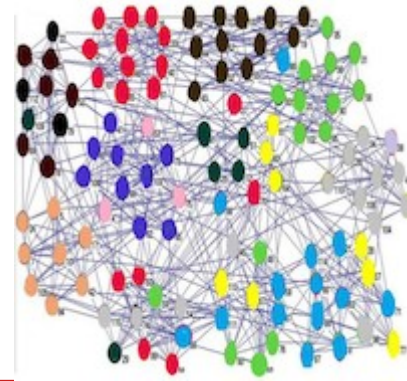
The myriad of historical societies have three broad forms. #1: Tributary, patriarchal, personal dependence. #2: "Personal independence founded on objective dependence". #3: "Free individuality, based on the universal development of individuals and... communal, social productivity..." (p.158). Bourgeois society generates both the belief that #2 is the ultimate, and reactionary-anti-capitalist yearnings for #1 (p.158-162)



Some points for discussion



1. What's the difference between a "theatre pass" and money?
2. *Why* does a general-commodity-exchange society differentiate out *money*?
3. *Why*, after being popular in the first half of the 19th century, has the call for labour-money faded?
4. **"Economy of time, to this all economy ultimately reduces itself" (p.173)**

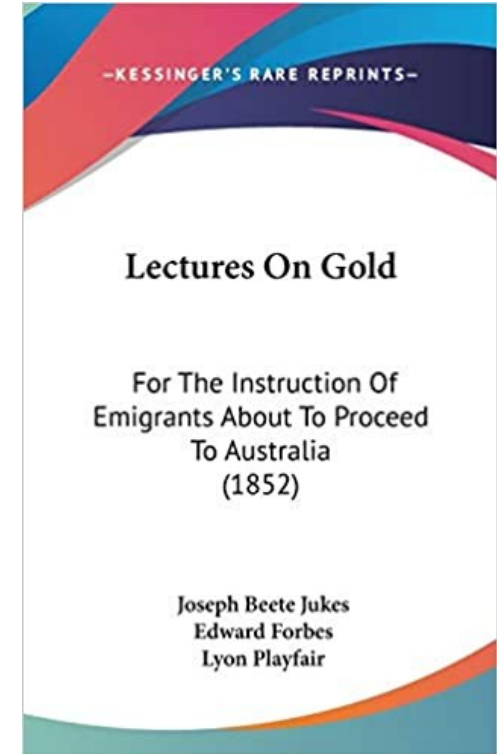


Grundrisse - #5 - "Money becomes the real community" (p.225: we're studying p.172-250)

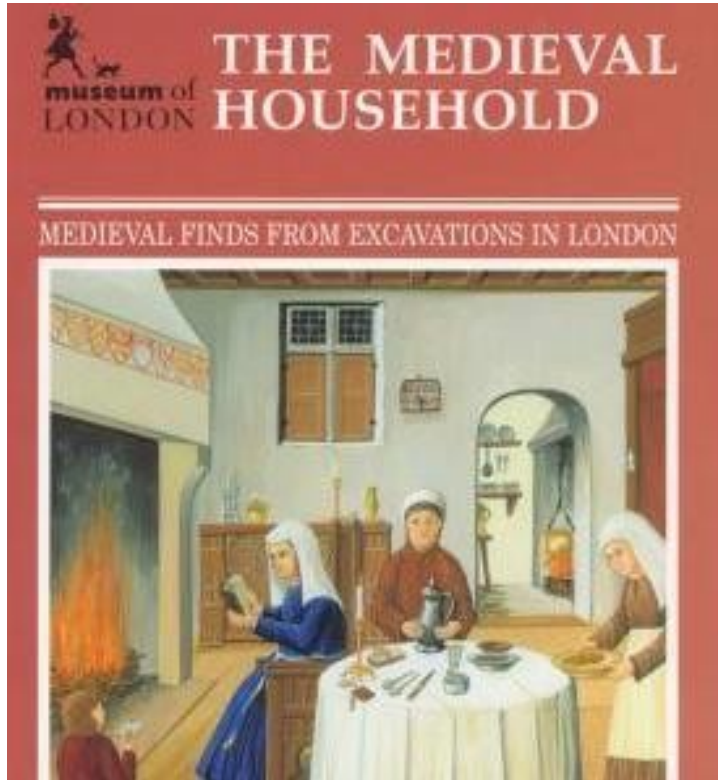
In pages 115-172, Marx has started his substantive economic discussion by criticising the Proudhonists and showing that any thorough critique of capital must also be a critique of the basic social relations involved in exchange-value. He now moves on to start that critique. This whole section of the *Grundrisse* can be read as a draft, or notes, for chapters 1 to 3 of *Capital*.

False starts, digressions, illuminations

There are long passages which are false starts, or digressions (some of them amusing, as when we discover on page 178 that a source for Marx's discussion of the qualities of, and methods for extracting, gold is a handbook produced by the British Government School of Mines for emigrants going to Australia to join the 1850s gold rush). But there are also passages where we see Marx work out - in detail, over many pages - ideas which he will later express very tersely, in one or two sentences, in *Capital*. And there are interesting extrapolations and digressions which Marx will omit from *Capital* as too speculative.

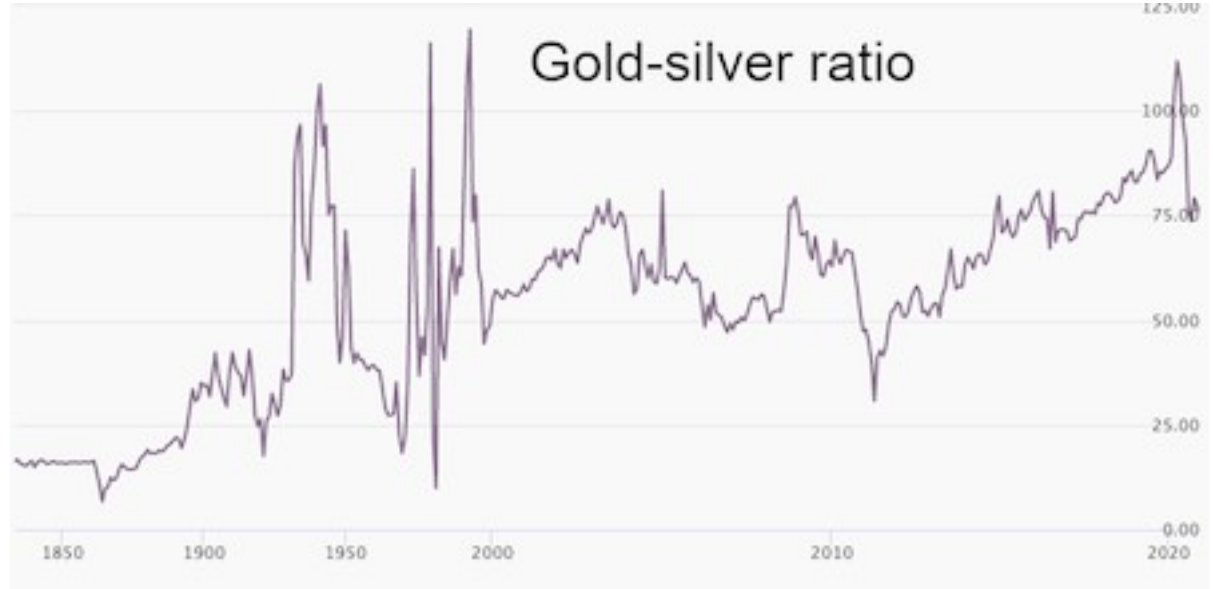
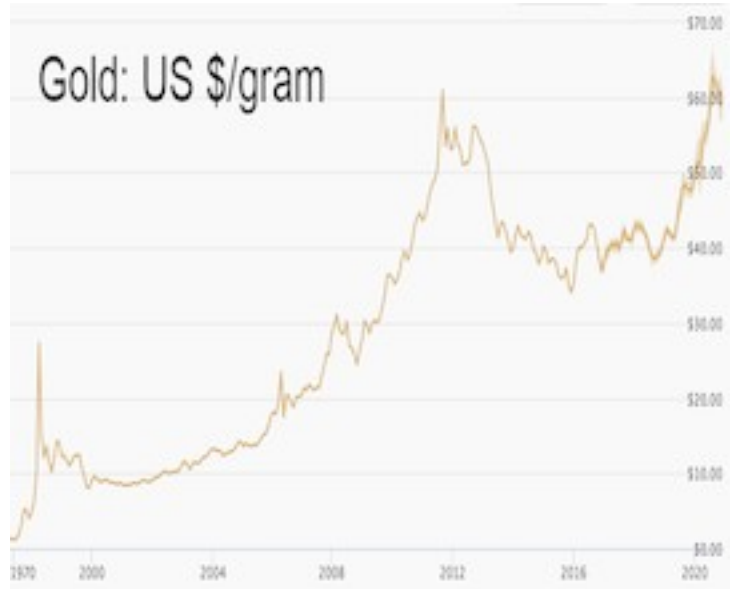


Anti-capitalism: reactionary and emancipatory



Marx's polemic on money is different both from an anti-capitalism which sees money and capital as perverting an essentially fair system of exchange and of labour, and from a "yearn[ing] for a return to that original fullness" of patriarchal family or master-servant relations (p.248-9, p.161-2). "This objective connection [via money] is preferable to the lack of any connection, or to a merely local connection resting on blood ties, or on primeval, natural, or master-servant relations" (p.161).

Why is gold "the subject in which this symbol is represented"?



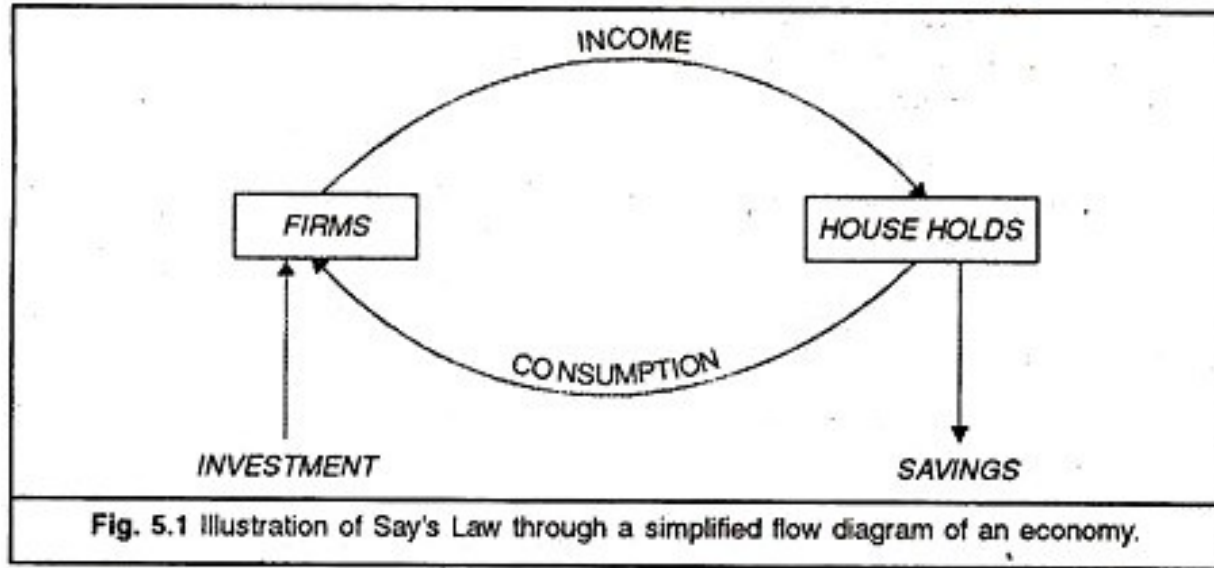
Marx discusses the precious metals (pp.174-185) and why gold has been the usual money-commodity. In his time the silver:gold ratio was relatively stable. In crises, and since silver and gold have become speculative commodities, it has varied widely.

Commodity - Money and Money - Commodity



"Money only circulates commodities which have already been *ideally transformed into money*" (p.187). From that Marx deduces, wrongly I think, that the price level determines the money stock, with velocity of circulation also perhaps playing a part. Velocity of circulation has varied hugely in recent years.

Purchase and sale not the same just viewed differently



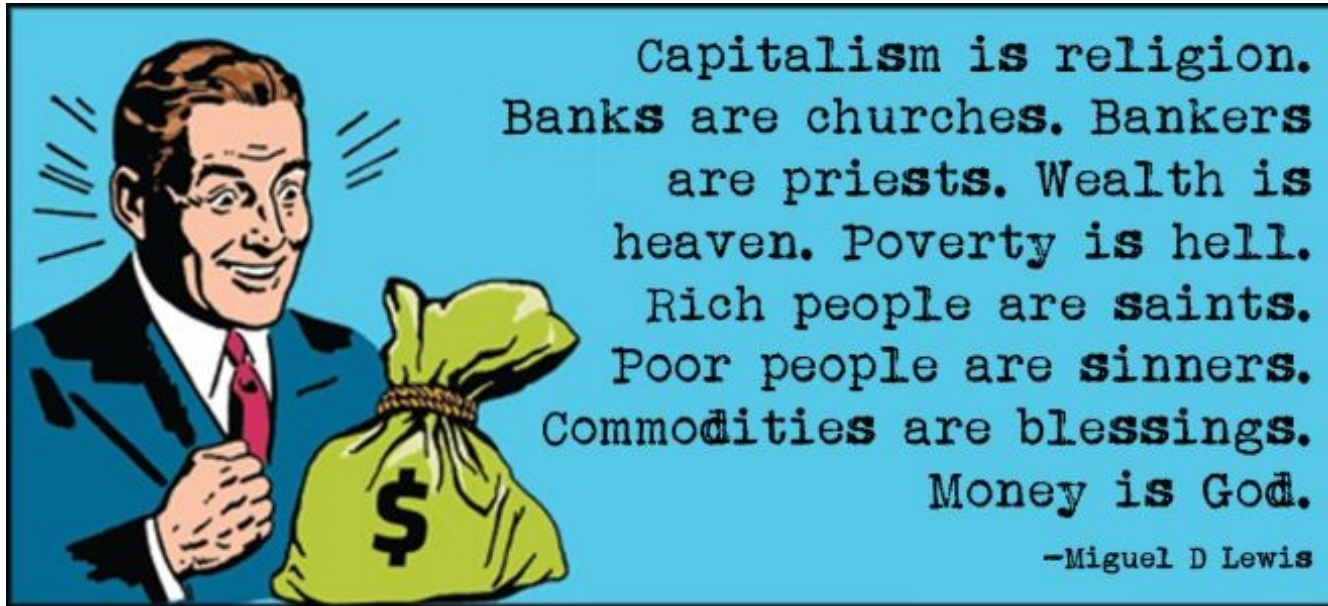
"Purchase and sale by no means need to coincide" (p.198, see also p.148). "Already in the quality of money... there lies the germ of crises". Marx disputes "Say's Law": "supply creates its own demand". He also points out that the separation "has made possible a mass of pseudo-transactions" (p.200). He mentions M-C-M (p.201ff) but doesn't expand here.

"Symbolic money can replace the real" (p.212)



Marx, as we've seen (p.131), thought that "the convertibility of the note into gold remains its economic law" even in 1799-1819 when the Bank of England could legally issue banknotes *without* any promise to convert to gold. But in the everyday circulation of commodities, Marx argues, **"symbolic money can replace the real"** (p.212). (Marx derided the 1844 Bank Act putting precise limits on how many notes the Bank of England could put out relative to its gold reserve).

With money as stocks, not just flow, "the concept of wealth is... is realised, individualised, in a particular object" (p.218).



Money functions in bourgeois society not as just flow, in circulation, but as *stocks*, where it is "general wealth in the form of a concise compendium" (p.218), "the god among commodities" (p.221), "not only *an* object, but... *the* object of greed" (p.222).

"Money is itself the community" and that community must generate "greedy" people who will buy wage-labour (p.223-4)

In a generalised money-economy, **"money must be the direct aim of general labour... Labour... must therefore be wage-labour" (p.224). "Money is... not only the object but also the fountainhead of greed... Money is itself the community, and can tolerate none other standing above it" (p.222-3).** Thus people **"pile up"** money (p.229). Money put back in circulation with the aim of increasing the pile is *capital* (p.235).

[In a letter to Engels of 2 April 1858, Marx talked about a "dialectical transition" from landed property to wage-labour. To which Engels responded: "Huh?". And rightly so. More on this in session 9].



The apologists and the socialists



Marx develops (p.241-9, and again later) the argument of the end of ch.6 of Capital, that general commodity circulation generates the realm of "Liberty, Equality, Property, and Bentham", but that **"in the depths, entirely different processes go on"** (p.247), **"the realisation of equality and freedom... prove to be inequality and unfreedom"** (p.249). Both the apologists and those who want to make socialism by restoring exchange to its ideal are wrong. How? General commodity exchange generates two exceptional commodities: money and labour-power.

Some points for discussion



- 1. Why might "this objective connection [via money]" be preferable to older tributary relations?**
- 2. Can Marx's argument be summarised as: general commodity exchange generates two special commodities, money and labour-power? Special, how? And why is that a big deal?**



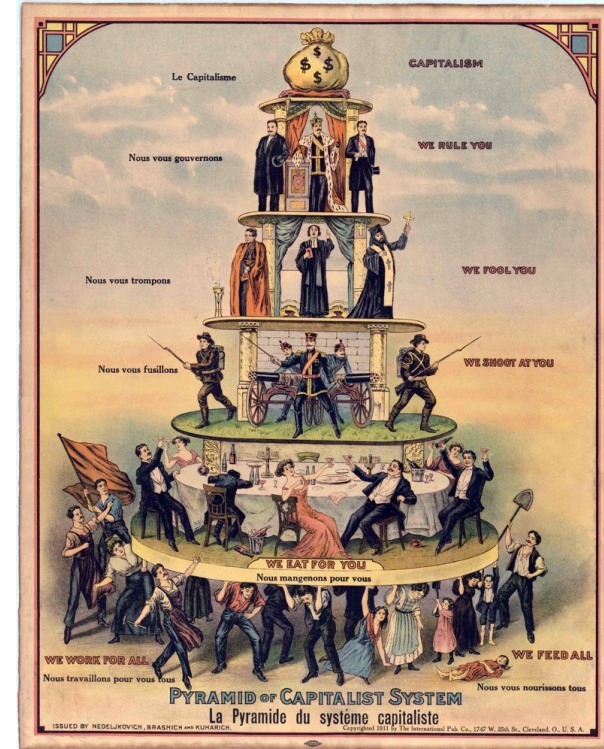
Grundrisse - #6 - From money to capital (250-266)

Marx rejects the conventional definition of capital as "accumulated labour" or "objectified labour". "The catch is that if all capital is objectified labour which serves as means for new production, it is not the case that all objectified labour which serves as means for new production is capital. Capital is conceived as a thing, not as a relation..." (p.258)

Generalised exchange develops capital as a social relation

"To develop the concept of capital", Marx continues, "it is necessary to begin not with labour but with value, and, precisely, with exchange value in an already developed movement of circulation. It is just as impossible to make the transition directly from labour to capital as it is to go from the different human races directly to the banker, or from nature to the steam engine". [p.259].

This makes it clear that in the opening chapters of Capital, Marx is not developing a historical exposition - simple commodity production in chapter 3, moving on to capitalist production in chapter 4, or such. Nor is he starting from some axiomatic "base". When he starts off with the commodity, he starts off with the commodity as it appears in "those societies in which the capitalist mode of production prevails". Only later will he explain what the capitalist mode of production is.



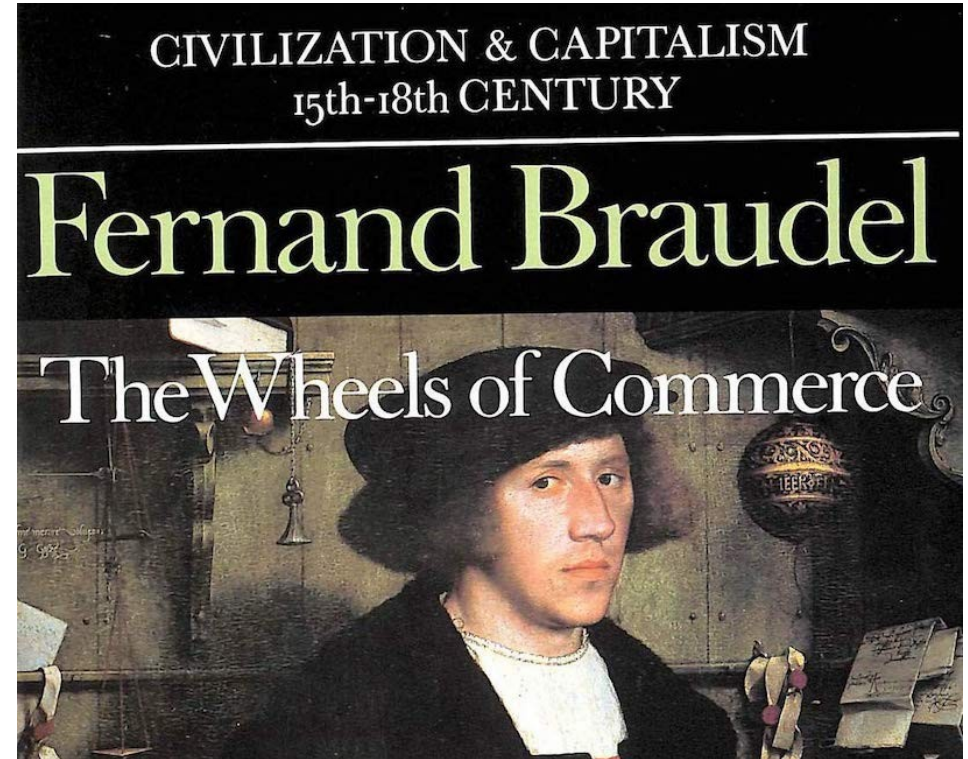
From the simultaneous market to the system *in movement*



In that "already-developed" system, money and labour(-power) become different *in movement*: "Money (as returned to itself from circulation), as capital, has lost its rigidity, and from a tangible thing has become a process. But at the same time, labour has changed its relation to its objectivity; it, too, has returned to itself. But the nature of the return is this, that the labour objectified in the exchange value posits living labour as a means of reproducing it, whereas, originally, exchange value appeared merely as a product of labour... Exchange value emerging from circulation, a presupposition of circulation, preserving and multiplying itself in it by means of labour". (p.263-4)

When does market economy become capitalism?

So when does an economy using money step over into the "general" development of value and "a mode of production founded on capital"? In some places Marx seems to suggest that the gradual influence of increasing trade do it (e.g. on p.257 he seems to credit the influence of Netherlands trade in the 16th century with a decisive role in the capitalist transformation of England). Elsewhere he seems emphatic that a certain degree of development of industrial productivity is a precondition for the transition to capitalism. Just an increasing role for market exchange will not insufficient.

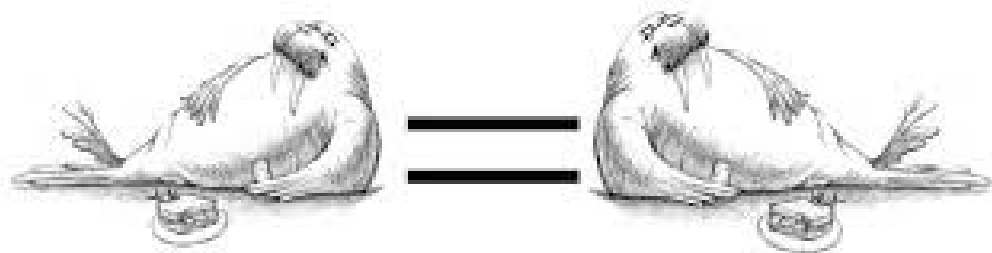


Compare *Capital* ch.6 and ch.26-31



"The historical conditions of its existence are by no means given with the mere circulation of money and commodities. It can spring into life only when the owner of the means of production and subsistence meets in the market with the free labourer selling his labour-power. And this one historical condition comprises a world's history. Capital, therefore, announces from its first appearance a new epoch in the process of social production" (ch.6). "These new freedmen became sellers of themselves only after they had been robbed of all their own means of production, and of all the guarantees of existence afforded by the old feudal arrangements. And the history of this, their expropriation, is written in the annals of mankind in letters of blood and fire" (ch.26)

Some points for discussion



Walrasian Equilibrium

$$(p^*, x^*) \text{ such that } \sum_i x_i(p^*, p^* \omega_i) \leq \sum_i \omega_i$$

created by
Marian Mewling

1. When and how does an economy using money step over into the "general" development of value and "a mode of production founded on capital"?

2. In the standard "invisible hand", "general equilibrium", "Walrasian auctioneer" picture, all prices are determined simultaneously. What does Marx tell us about moving from "snapshot" economics to the economics of processes?



Grundrisse - #7 - Capital and labour (266-274)

On pp.266-74 Marx examines how, among all the other economic exchanges in capitalist society, the exchange between capital and labour has a special, and pivotal, character. It both obeys the general laws of exchange, and is different. Here Marx edges towards developing the distinction between *labour-power* (which is sold) and *labour* (when the capitalist buyer "consumes" the labour-power bought).

Overview of sessions 7 to 10

Session 8: pp.275-281: interrelation between capital, wage-labour, and landed property; pp.282-333: further expansion on the exchange between capital and labour.

Session 9: pp.333-401: investigation, through numerical examples, of the relations between labour productivity and surplus value; pp.401-424: the problem of how the surplus value is "realised", i.e. of how the capitalist gets to sell the products at a price which brings to him the value added from the workers' labour. Interspersed in these and later pages are comments on propensity of capitalism to crisis; pp. 426-433: further numerical examples on similar lines to pages 333-401.

Session 10: pp.433-450: equalisation of the rate of profit (what will become the "transformation problem" in *Capital* volume 3); pp.450-458: how capitalist production not only produces goods and services, but, "even more important", reproduces capitalist relations on an ever-expanding scale.

After page 458 Marx will move back to studying the genesis of capitalism - its contrast to, and evolution from, pre-capitalist economic formations.

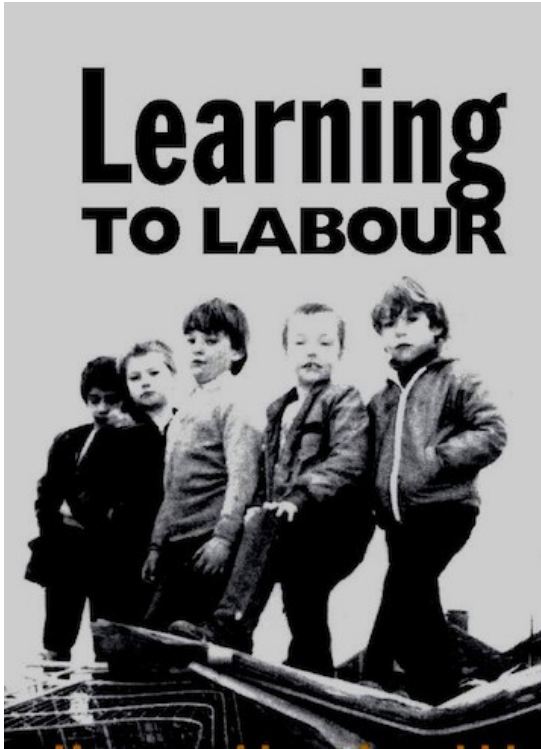


Selling "labour power" or "capacity", not "labour": startpoint

In his previous writing on this (*Wage Labour and Capital*, 1849 version) Marx has developed the idea of the exchange between capital and wage-labour being lopsided. "The worker receives means of subsistence in exchange for his labour, but the capitalist receives... the productive activity of the worker, the creative power whereby the worker not only replaces what he consumes but gives to the accumulated labour a greater value than it previously possessed". But he has developed no explicit theory of surplus-value, nor the idea of the exchange being *both* equal looked at from circulation, *and* lopsided looked at in the round.



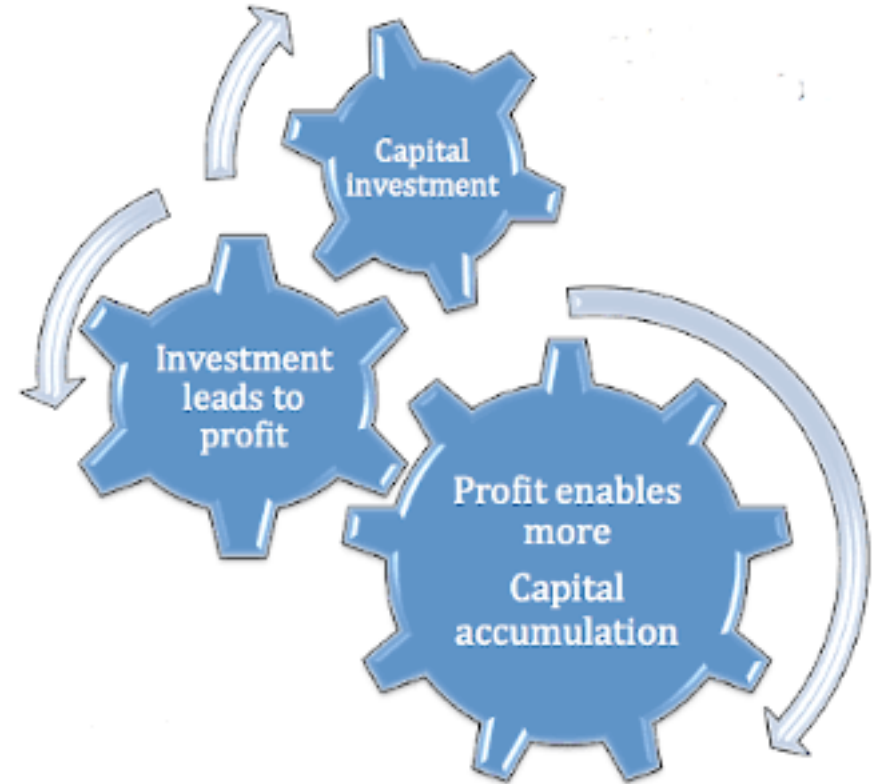
Selling "labour power" or "capacity", not "labour": moving on



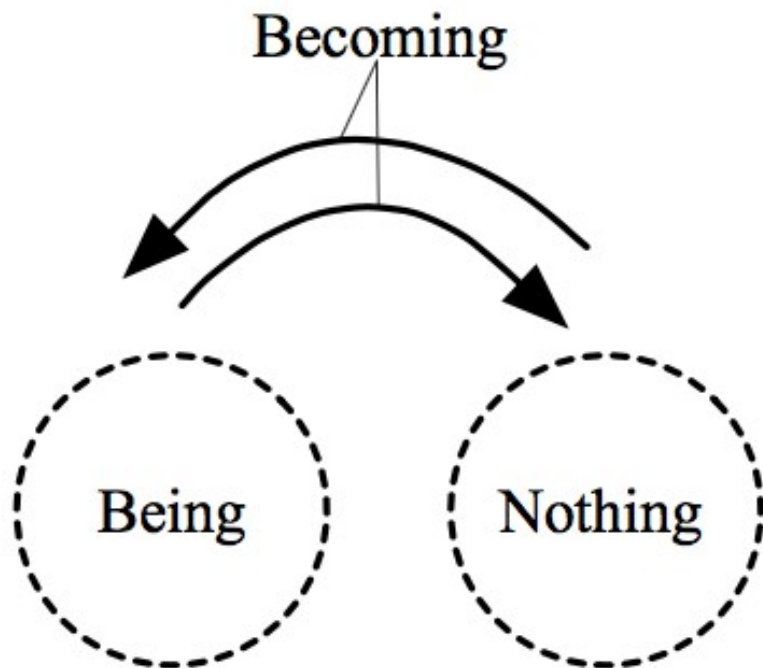
Now Marx edges further (p.274): "The exchange between capital and labour... splits into two processes which are not only formally but also qualitatively different, and even contradictory: (1) The worker sells his commodity... for a specific sum of money... (2) The capitalist obtains labour itself.. the productive force..." He still here talks of the worker selling "labour", but already has written: "The use-value which the worker has to offer... exists... only... as his capacity" (p.267)

Only this equal-yet-unequal exchange explains M-C-M'

"The goal-determining activity of capital can only be that of growing wealthier, i.e. of magnification, of increasing itself" (p.270: but Marx will later make clear that this happens only through the action of *capitalists*, not by an automatic self-movement of capital). How is the increase made? Not just by asserting that "nobody would employ his capital without drawing a gain for it" (p.271: doesn't explain how they're able to get that gain). "The gain must come from that which increases, multiplies, and hence preserves it as capital". And that is living labour, which, as "present in time, alive... exists as capacity" (p.272)



What is the "real not-capital"?



An unfortunate Hegelian construction slows Marx down in seeing what he's edging towards, which is that capital exchanges with labour-power, not labour: "The only use-value... which can form the opposite pole to capital is labour.... the real not-capital is labour" (p.272, 274).

There is another misleading Hegelian construction on p.267: "value to be conceived as the unity of use-value and exchange-value". In fact value, congealed labour-time, stands in opposition to use-value and is manifested as exchange-value (i.e. price).

More on the "Hegelian" usages in the *Grundrisse* in session 9.

"Labour" here is not just anyone making an effort

In these pages, Marx also edges towards the idea that labour here is not just a given-for-all-time description of anyone making an effort, but specifically social labour, above all labour productive for capital. "Labour as mere performance... for the satisfaction of immediate needs has nothing whatever to do with capital" (p.272, also 465ff)



Some points to discuss



1. Marx sums up by saying that exchange between capital and (what he still calls) labour is different from simple-exchange: part of the transaction can "only by misuse" be "called any sort of exchange at all" (p.275). Why?
2. But implicit is that a generalised commodity economy must include this exceptional exchange, as it must include *money*. Must it?



Grundrisse #8 - More on capital and labour (275-333)

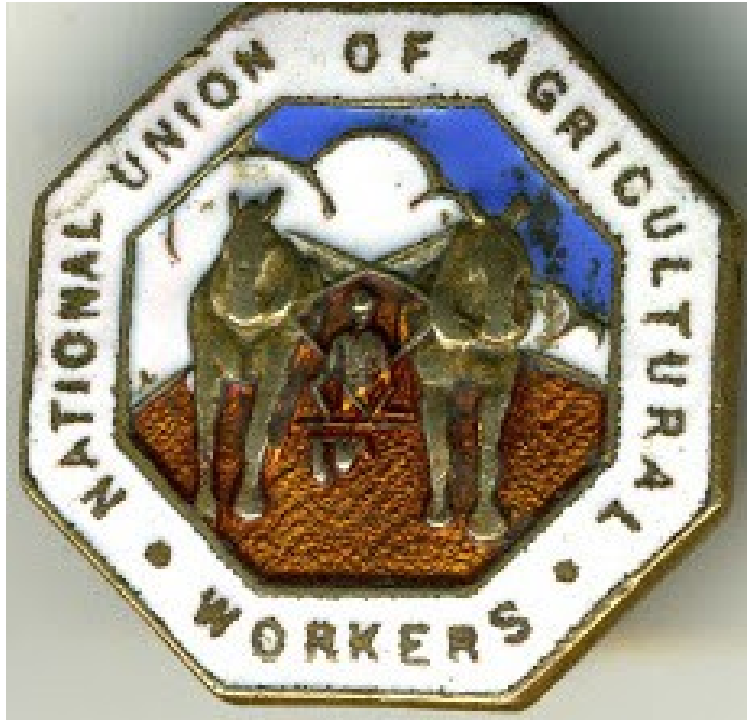
On pp.275-333 we have (1) discussions on the interrelation between capital, wage-labour, and landed property (2) further expansion on how the exchange between capital and labour-power is exploitative despite being also, viewed from the sphere of circulation, a free exchange of equivalents (3) argument that capital cannot be understood in abstraction from *capitalists* (4) argument that in a certain sense capital is productive and capitalist consumerism is "civilising"

Landed property in mid-19th century England

Landed property was a bigger factor in the mid-19th century than now, even in urbanised, industrialised England. "Until the second half of the 19th C, there was a definite coincidence between wealth, nobility, and landownership... Up to the 1870s, 90% of the aristocracy had a landed background... the aristocracy remained primarily a landed one at least until 1920... [But] from the mid-19th C on, titled landowners have increasingly tended to supplement and ensure their incomes by other investment" (Massey and Catalano, *Capital and Land*). The significance of ground rent and landowner incomes has revived recently, but is still much lower than when Marx was writing in 1857-8.



"The circle wage-labour - capital - ground rent"



Marx argues that wage-labour creates capital, "capital is the creator of modern landed property, of ground rent" (p.276), and then "wage-labour in its classic form... is initially created by modern landed property" (p.277). This argument seems to me contrived to fit a neat "dialectical" preconception and really not true: modern bourgeois landed property depends on the prior large-scale creation of wage labour.

Later bourgeois and workers turn against landowners

In any case, later, so Marx points out, bourgeois thinkers "endeavour to dissolve landed property... and to transfer it to the state"; workers "demand the breaking-up of large landed property" (p.279) to enable escape to becoming "independent producers" on the land. (A reference to the Chartist Land Scheme, 1845-50).



A pub sign and a former Chartist Land Plan cottage from Heronsgate, formerly O'Connorville



Marx now definitely shifts to saying that workers sell labour-capacity or labour-power, not labour



"The worker... only sells a temporary disposition over his labour-capacity" (p.295). "The use-value which [the workers] offers exists only as... a capacity... his labour power... What the worker sells is the disposition over his labour... restricted in time" (p.283).

Each capitalist urges his own workers to thrift



Google Ngram count of relative frequency of word "thrift", showing a high in second half of 19th C and in early 20th C

"Society today makes the paradoxical demand that he for whom the object of exchange is subsistence should deny himself, not he for whom it is wealth" (p.285). But it's not possible for more than odd individual workers to save enough from wages to become capitalists.

Working-class consumerism as "civilising moment"



Capitalists also "search for mean to spur [workers] on to consumption, to inspire them to new needs by constant chatter... It is *this side of the relation of capital and labour which is an essential civilising moment*" (p.287, emphasis added). "The sphere of [the worker's] consumption is not qualitatively restricted, only quantitatively. That distinguishes him from the slave, serf, etc.... [This] gives [workers] as consumers... an entirely different importance... from that which they possessed e.g. in antiquity or in the Middle Ages" (p.283) "Capital's ceaseless striving towards the general form of wealth drives labour beyond the limits of its natural paltriness, and thus creates the material elements for the development of the rich individuality... whose labour... appears as the full development of activity itself" (p.325) See also p.409 and p.488.

Labour becomes abstract labour

Also emergent here is the concept of abstract labour. (It will be clearly stated in the 1859 book). In relation to capital, "labour is not this or another labour, but labour pure and simple, abstract labour, absolutely indifferent to its particular specificity but capable of all specificities" (p.295; see also 103-5). Marx contrasts this with "craftsmen and guild-members, etc., whose economic character lies precisely in the specificity of their labour..." (p.296)



Labour not only distinct from, but *versus* labour-power



Labour is not only pedantically distinct from labour-power, but is (or rather *becomes*) set against it: The worker's "labour in general, in so far as it is not a *capacity* but a motion, *real* labour, comes to confront the worker as an *alien power*" (and see other bits on p.307).

A few years later Marx will write: "Instead of labour, Ricardo should have discussed labour-power. But had he done so, capital would also have been revealed as the material conditions of labour, confronting the labourer as power that had acquired an independent existence and capital would at once have been revealed as a definite social relationship..." (TSV v.2 ch.15)

"Capital, but not capitalists"? No, it's a social relation

"Socialists sometimes say, we need capital, but not the capitalist... Capital is indeed separable from an individual capitalist, but not from the capitalist, who, as such, confronts labour" (p.303). "The demand that wage labour be continued but capital suspended is self-contradictory" (p.283) "The existence of capital vis-a-vis labour requires that capital in its being-for-itself, the capitalist, should exist and be able to live as non-worker" (p.317). These passages should be taken as qualifying all those where Marx speaks in "Hegelian abbreviation" about "capital" as such, or in general, doing this or that apparently without human agency.



Where does capitalist income come from?



It's assumed in cost of production (p.315)? Or it's payment for putting capital to work (p.317)? Or "The capitalist does not want to give the use of his capital for nothing" (p.330)? But then how is there any "fund out of which to pay him?" [the capitalist] Wages of management? "Then he would receive a certain wage... fall into the same category as [the workers]" (p.317). Marx starts using the term "surplus value" (p.324, 334). But Marx insists that capital is "productive", p.308.

Some points to discuss



1. Why say labour-power is sold, rather than labour? What difference does it make?
2. Capital is productive? How? Why?
3. Marx's argument about the "civilising" effect of capitalist consumerism? Is he right? If he was right in 1857-8, what about now?



Grundrisse - #9 - Labour productivity and surplus value: "realising" surplus value (333-433)

P.333-401 and 426-433 are largely taken up with numerical calculations about surplus value and profit. Marx himself expresses exasperation with the calculations, and the main points are better understood by algebra. P.333-433 also look at the capitalists' problem of "realising" surplus value (selling the product at a good price) and equalisation of the rate of profit. This is also a good point to discuss the "Hegelian" usages in the *Grundrisse*.

Hegelian themes: "limit", "barrier", "posit", "suspend", triads



Pages 415-23 on barriers to capital are a high point for Hegelian usages in the *Grundrisse*. Many commentators take that as a strength. I'd argue that it's a weakness, as when Hegelian usage slowed down Marx recognising the clash between *labour-power* and *labour*. The *Grundrisse* is rough notes. When writing rough notes, often late at night, Marx reverted to the style he'd been drilled in (in his late teens and early 20s), i.e. Hegelian. Also he wrote to Engels, 16 January 1858, saying that he'd been prompted by a comrade giving him some volumes of Hegel and by "taking another look at" Hegel's *Science of Logic*. We can guess that was in November, because it's on 13 November that Marx starts dropping off-hand detailed references to Hegel into his letters.

Barriers and limits in Hegel

Marx in the *Grundrisse* used Hegelian approaches sloppily rather than rigorously. No wonder, since it was rough notes and he can only have browsed odd passages of the *Logic*. For example, "limit" (*Grenze*) and "barrier" (*Schranke*) have different connotations in Hegel than in everyday usage. Michael Inwood's *Hegel Dictionary* explains: "Hegel distinguishes *Grenze* [translated as limit; otherwise, border, frontier: *Altersgrenze* is age limit, *Grenzkontrolle* is border control] and *Schranke* [translated as barrier; otherwise, gate, bound]... [1]. A finite entity has a *Grenze*. Usually, it has a qualitative limit, as well as a quantitative limit. A field of one acre has a quantitative limit in virtue of which it is one acre, but also a qualitative limit in virtue of which it is a field rather than a wood or a pond... In virtue of its qualitative and quantitative finitude, the field is also temporally finite and will come to an end. [Notice, in Hegelian usage the *Grenze* of the field is not the hedge or fence surrounding it]. [2]. [If something] has a tendency to transgress the limit that [defines it] then the limit is a *Schranke*. A *Schranke* is a *Grenze* that in some sense ought to be overcome".



Fancy wording sometimes blurs ideas



Marx sometimes (e.g. pp.415-423) uses *Grenze*, *Schranke*, and the English word *limit* without distinctions, i.e. sloppily. Sometimes he seems to make Hegel's distinction: "capital posits every such limit [to the development of the productive forces] 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" (p.420). This is a fancy way of saying that capitalists drive to increase production (so as to increase profits), thus tend to overstep available demand and get recurrent crises. The fancy terminology blurs rather than sharpens investigation of how crises happen, and feeds a somewhat mystical picture of "capital in general".

The words "suspend" and "posit"

Like many translators of Hegel, Nicolaus uses "posit" for *setzen* and "suspend" for *aufheben* ("sublate" is now often used there). *Setzen* is an everyday word in German for set, sit, put; *aufheben* for cancel or abolish but also keep. Hegel wrote about *aufheben*'s two opposite everyday meanings: "It is a delight to speculative thought to find in the language words which have in themselves a speculative meaning... What is sublated is not thereby reduced to nothing. Nothing is *immediate*; what is sublated, on the other hand, is the result of *mediation*; It is a non-being but as a *result* which had its origin in a being... " (*Logic*, p.106-7).

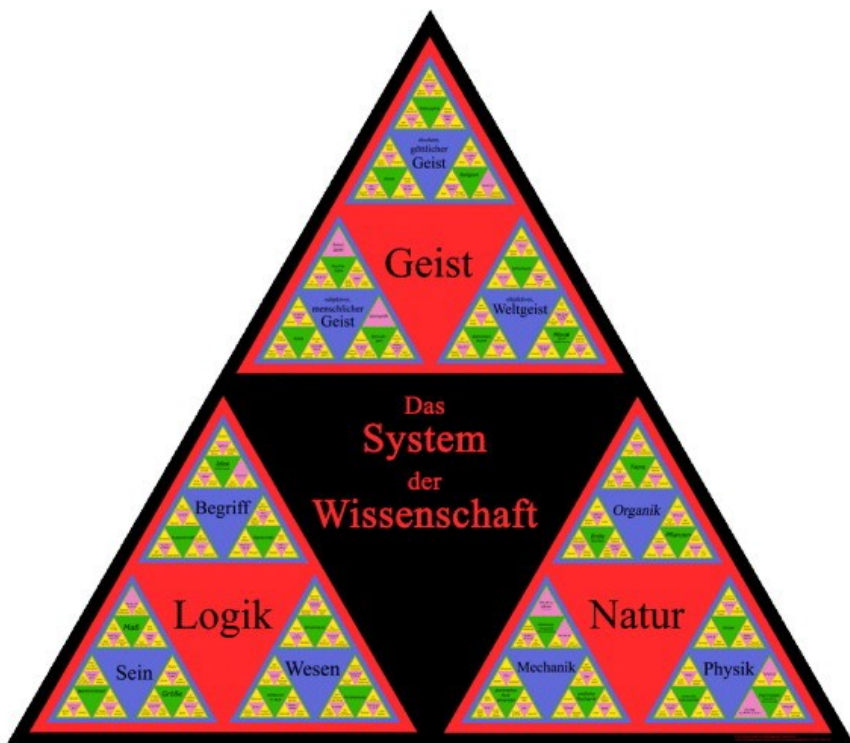
Inwood: "Hegel's usual term for a cause's producing an effect is *setzen*... In his *Logic*... Hegel develops the concept of causality out of that of substance: the substance, the 'original thing or matter' passes over into its accidents, and thus produces or 'posits' an effect. But cause and effect are implicitly identical... *Setzen*... forms [many] compounds... Thus [for example] *voraus* means 'in front, in advance', and Hegel can suggest that to presuppose (*voraussetzen*) something is to posit it or set it up (*setzen*) in advance".

synonyms for posit:

postulate, state, put forward, submit, presume, assume, suppose, assert, presuppose, hypothesize



What Marx dropped from his rough notes when writing up



In writing up from his rough notes, Marx deliberately dropped the "Hegelian" schemes. In *Capital* volumes 1 and 2 and in the *Contribution*, Marx *avoids* the sloppy-Hegelian use of "limit" and "barrier". (In *Capital* volume 3, made from earlier and scrappier drafts, it is heavy in the section on the Tendency of the Rate of Profit to Fall, where it had a bad effect). Another showily "Hegelian" usage in the *Grundrisse* is the promise and the half-attempt to construct the concepts of capital, landed property, and wage-labour as a triad, each evolved from another term in the triad, and wage-labour in particular from landed property. This never made sense, and Marx completely abandoned it in *Capital*.

The evidence of the 1859 *Contribution*

Despite much of value, on the whole the *Contribution* is an odd book. When he sent it to the publisher, Marx wrote to Engels: "don't be bowled over by this... [it] contains *nothing* as yet on the subject of capital" (only a summary on money, followed by a critical examination of other writers on the issue: nothing about Marx's new understanding of surplus value). Marx offered implausible explanations for this, and brushed aside Wilhelm Liebknecht's reasonable comment that he "had never been so disappointed" by a book. Marx promised to follow the *Contribution* within months by a "second instalment" on capital, but he didn't until 1867 (*Capital*) and after he had reworked the whole thing twice. Evidently he was dissatisfied with his "Hegelian" rough notes on capital. In the *Preface* to the *Contribution*, where he outlined his general ideas, he referred to Hegel only to recall that he, Marx, had written a slamming critique of Hegel's *Philosophy of Law*.

The image shows the front cover of a book. The top half has a dark red background with the word 'Marx' in large, white, serif capital letters. Below this, the title 'A Contribution to the Critique of Political Economy' is written in a smaller, red, cursive script. The bottom half of the cover is a light beige or cream color.

Marx

*A Contribution
to the Critique
of Political Economy*

Engels' review and *historical-fact* dialectics



Engels wrote a review of the *Contribution* to drum up interest. Presumably thinking that a summary of the technical economic content would fall flat with the readers (of a German-left-exile newspaper in London), he highlighted what he saw as the *method* used by Marx. He did refer to Hegel, but not as an artful builder of philosophical templates (triads, special conceptions of "limits", etc.), but (rightly) as the writer who had given dialectical investigation a *historical* character and filled it out with much factual material.

"Hegel's whole heritage was, so far as [many "Hegelians"] were concerned, confined exclusively to a template, by means of which any subject could be knocked into shape, and a set of words and phrases whose only remaining purpose was to turn up conveniently whenever they experienced a lack of ideas and of concrete knowledge... *It was the exceptional historical sense underlying Hegel's manner of reasoning which distinguished it from that of all other philosophers...* The real content was invariably incorporated in his philosophy, especially since Hegel - unlike his followers - did not rely on ignorance, but was one of the most erudite thinkers of all time... The material is everywhere set forth historically, in a definite historical context, even if in an abstract distorted manner".

Capitalists increase s/v but not necessarily s/K

The gist of the calculations on p.334ff is that capitalists will push to increase s/v (surplus labour: necessary labour) in various ways, but that may go with a decrease in s/K (K =capital advanced). That will be true if the increased s/v means fewer workers dealing with more machines and more raw material of given value, but Marx considers "cheapening of constant capital" only in passing (p.402).



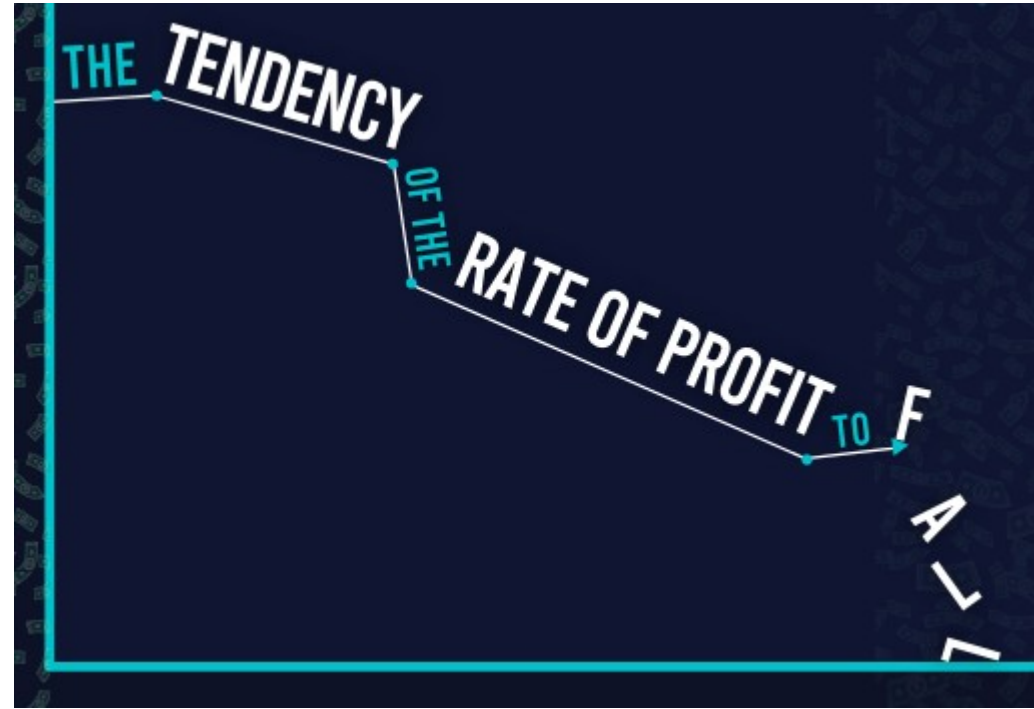
Necessary labour held down by growth of population?



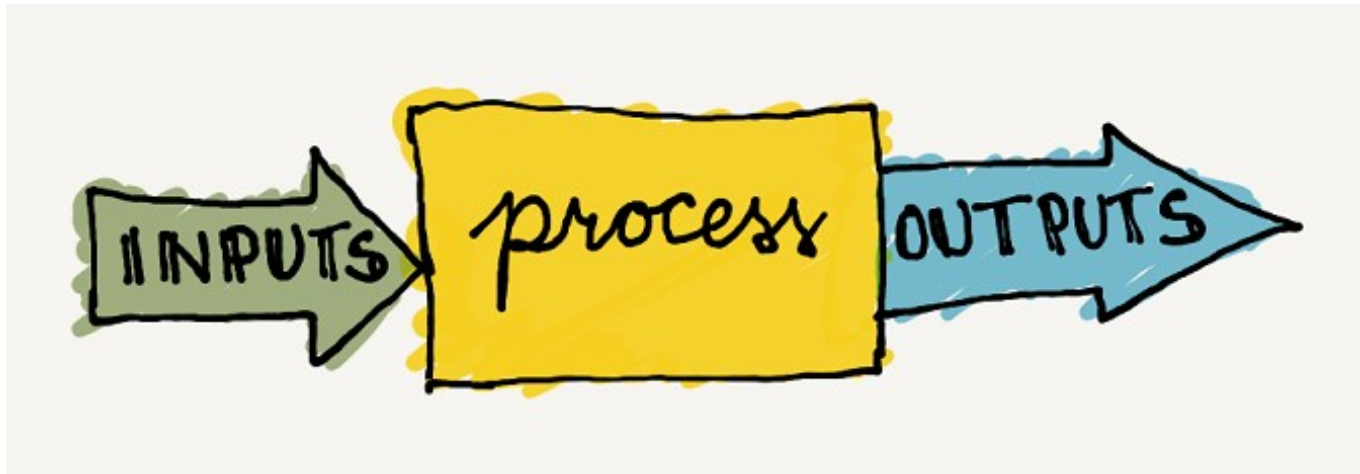
Here Marx argues that the tendency of capitalist growth to boost wages will be checked by improved worker living standards raising population growth (p.352). In *Capital* he would correct the argument to say that capital can create an industrial reserve army by automation, etc.

Increased organic composition and falling rate of profit

Marx sketches the arguments later formulated as rising organic composition of capital K/v (p.381) and tendency of rate of profit s/K to fall even though s/v rises (see also pp.748-9). He criticises Ricardo as having "tried to explain the recurring decline of profit merely by the rise of wages caused by the rise in grain prices (and hence of rent)" (p.385). Marx's argument is inadequate, too, because of insufficient consideration of "cheapening of constant capital".



Value of machines and inputs transferred to output



Labour adds value. It also transfers value from inputs, which would rot if unused, into output. "Labour is the living, form-giving fire; it is the transitoriness of things... as their formation by living time... Without further labour, the use value of cotton and twist... would be destroyed instead of produced... A spindle maintains itself as a use-value only by being used up for spinning" (p.361-2)

Who buys all the products?

Proudhon had complained "that the worker cannot buy back his product" (p.424). Of course not. A lot of the product is bought by capitalists and hangers-on, for investment or for consumption. But if that "demand exterior to the demand of the labourer himself disappears or shrinks up, then the collapse occurs" (p.420). Say's Law that supply creates its own demand is again rejected. Realisation in fact depends on demand *by capitalists* for each others' products (p.442).



Nicolaus translates both *Realisierung* (the conversion of output into money) and *Verwertung* (the augmentation of capital in production) as "realisation". Most translators these days render *Verwertung* as "valorisation": bit.ly/valrz. *Wert* means value, but the ordinary English translation would be something like "utilisation" or "putting into use".

"Capital can only exist as many capitals"

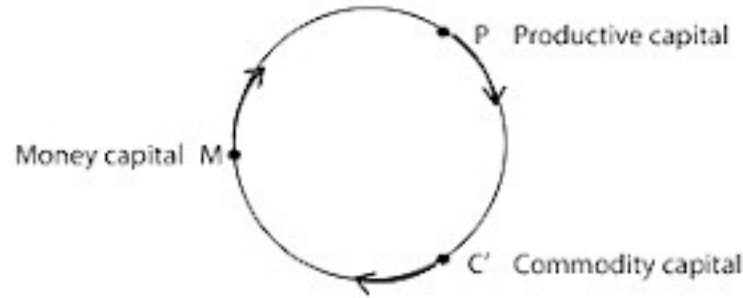


"Capital exists and can only exist as many capitals" (p.414). "The inner nature of capital... appear[s] in and [is] realised as the reciprocal interaction of many capitals with one another" (p.414). "A universal capital, one without alien capitals confronting it, with which it exchanges... is a non-thing" (p.421). These passages have been much cited to support the argument that the old USSR was not state capitalism because full state capitalism is by definition impossible.

Some points for discussion



1. Why should K/v tend to increase? And s/K tend to decrease? Is the argument watertight?
2. How can the "realisation problem" be stated accurately?
3. Does the "many capitals" passage prove state capitalism impossible? (Maybe also look at later passages on "capital in general", p.449, 520)
4. What do we think of the Hegelian formulations about the "barrier to capitalist production", and the Hegelian usages in the *Grundrisse* generally?

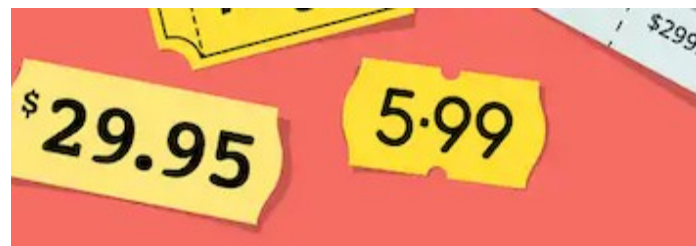


Grundrisse #10 - How capital reproduces capitalism (433-458)

The "transformation problem" (values and prices); "capital in general"; how capital reproduces capitalism; how capitalism inverts the principle of "property won by labour" which it seems to start from.

The "transformation of values into prices of production"

Marx has already stressed that prices must diverge from being proportional to values (labour-times). In early parts of the *Grundrisse* he still suggests that prices may oscillate round long-term averages (what Adam Smith called "natural price") proportional to values. Here: "prices in the different branches of business... fall below the value in some, rise above it in others" (p.436) as if "the capitalist class... distributes the total surplus value... evenly in accordance with the size of its capital, instead of in accordance with the surplus values" (p.435).



This will be written up in *Capital* volume 3 (but still with unresolved confusions).

Capitalist production not only produces commodities, but also reproduces capitalist class relations



Once we look at capitalist production as ongoing, "capital... appears as the product of [previous] labour [and] the product of labour likewise appears as capital" (p.453). "The result of the process of production and realisation is, above all, the reproduction and new production of the relation of capital and labour itself, or capitalist and worker" (p.458). See also p.512. This will be written up in *Capital* ch.24.

Capitalism inverts its own rights of property



"The right of property undergoes a dialectical inversion, so that on the side of capital it becomes the right to an alien product, or the right of property over alien labour, the right to appropriate alien labour without an equivalent, and, on the side of labour capacity, it becomes the duty to relate to one's own labour or to one's own product as to alien property." (p.458). See also p.514 and *Capital* vol.1 p.730.

"Capital in general, as distinct from the particular real capitals, is itself a real existence" (449)



"Capital in general, as distinct from the particular real capitals, is itself a real existence... For example, capital in this general form, although belonging to individual capitalists, in its elemental form as capital, forms the capital which accumulates in the banks or is distributed through them"(p.449). And there is after all a *capitalist class*, not just an atomised multiplicity of competing capitalists. Marx also goes on (e.g. p.520, p.552) to deduce laws of "capital in general" but assert that they are realised only through competition of "many capitals". This may be connected with his assertion (p.414, 421) that capital "can exist only as many capitals".

Do the themes from Hegel help here?



"The general is on the one hand only a mental mark of distinction, it is at the same time a particular real form alongside the form of the particular and individual" (p.450).

The translator here refers us to p.600 of Hegel's *Science of Logic*, where Hegel offers a philosophical reworking of the religious idea that God both is expressed in diverse realities in the world and exists as a person apart. To my mind, this may confuse. For example: making Marx assert without argument that it is impossible for capital to amalgamate into a single unit. For another example: making latter-day Marxists assert that arguments based on changes in competition (as in Robert Brenner's analysis bit.ly/rbren-c) ipso facto fall short of the proper Marxist way of proceeding, which should be by deduction from "capital in general", and Marx write some passages which give them comfort (cf. pp.649-651).

Some points to discuss



1. Does Marx's argument that prices are formed by equalisation of the rate of profit actually undermine any labour theory of value, however modified?
2. Marx argues that the processes there show how "capitalists form a veritable freemason society vis-a-vis the whole working class" (*Capital* vol.3, end of chapter 10).
3. What do we make of the arguments about "capital in general"?



Grundrisse #11 - Pre-capitalist formations and capitalism (459-514)

This is mostly the bit translated and published in 1964 by Eric Hobsbawm as *Pre-capitalist Economic Formations*. Marx begins to assay the conditions needed for capitalism to emerge, i.e. some of what is covered in *Capital* volume 1 under the title *Primitive Accumulation*, and also variants of pre-capitalist society and what they have in common as against capitalism.

The conditions for money to become capital

Marx look at the "conditions... which have... arisen... historically, for money to become capital and labour to become capital-positing, capital-creating labour, wage-labour" (p.463). First he defines more strictly what he means by wage-labour: "(1)... living labour capacity... separated from the means of living labour as well as from the means of existence... (2) ... accumulation... sufficiently large... for the absorption of surplus labour... (3) a free exchange relation - money-circulation - between both sides... (4) ... money-making as the ultimate purpose..." (p.463-4). There have been long epochs of society with money but without those conditions.



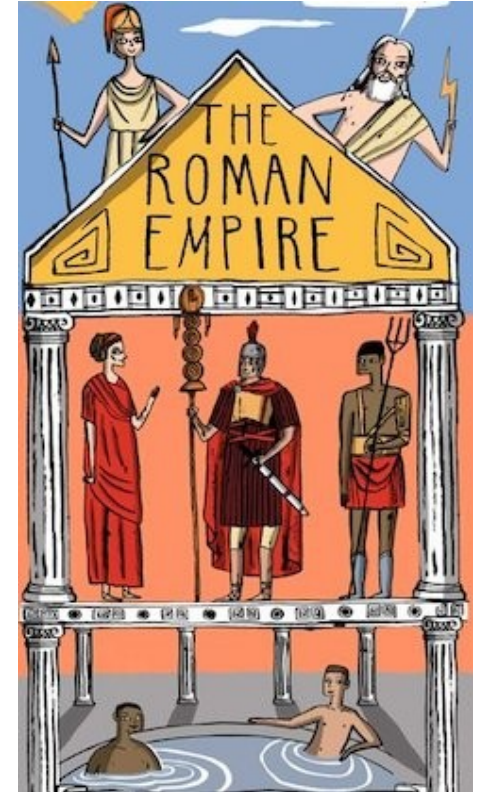
The "Asiatic" forms of pre-capitalist society



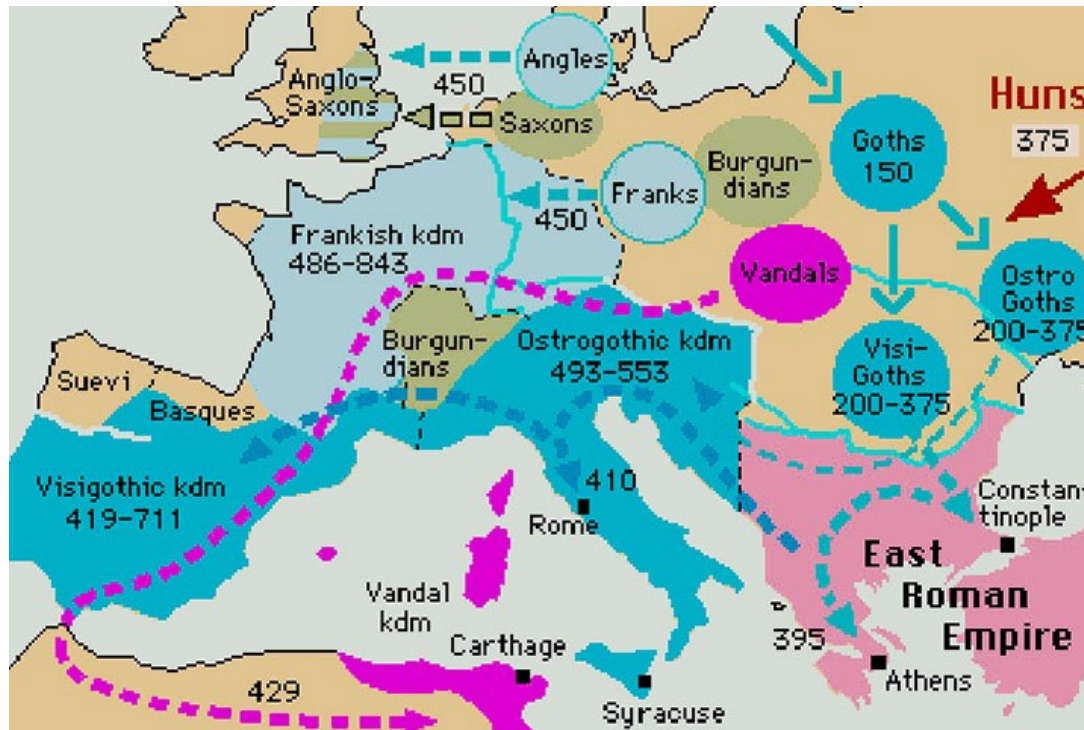
The despot, "the comprehensive unity standing above all these little communities appears as the higher proprietor or as the sole proprietor; the real communities hence only as hereditary possessors... The surplus product... automatically belongs to this highest unity [the despot]... Clan or communal property exists in fact as the foundation, created mostly by a combination of manufactures and agriculture within the small commune, which thus becomes altogether self-sustaining... A part of their surplus labour belongs to the higher community... and this surplus labour takes the form of tribute etc., as well as of common labour for the... despot" and religious purposes. (p.473). Labour within the communities may be organised communally, or may be mostly individual. There may be "a more despotic or a more democratic" organisation of the community. Aqueducts and means of communication, organised by the despot, may or may not play a big role.

The "Roman" form of pre-capitalist society

This "presupposes as base not the countryside, but the town as an already created seat (centre) of the rural population (owners of land). The cultivated field here appears as a territorium belonging to the town; not the village as mere accessory to the land" (p.474). The society is dominated by war between communes over land. "Hence the commune consisting of families initially organized in a warlike way - as a system of war and army... The concentration of residences in the town, basis of this bellicose organization... Communal property - as state property, ager publicus - here separated from private property... Membership in the commune remains the presupposition for the appropriation of land and soil, but, as a member of the commune, the individual is a private proprietor" (p.474-5).



The "Germanic" form of pre-capitalist society



"In the Germanic form, the agriculturist not citizen of a state, i.e. not inhabitant of a city; [the] basis [is] rather the isolated, independent family residence, guaranteed by the bond with other such family residences of the same tribe, and by their occasional coming-together to pledge each others' allegiance in war, religion, adjudication etc. Individual landed property here appears neither as a form antithetical to the commune's landed property, nor as mediated by it, but just the contrary. The commune exists only in the interrelations among these individual landed proprietors as such... [It] is really the common property of the individual proprietors, not of the union of these proprietors endowed with an existence separate from themselves, the city itself" (p.484-5)

All tributary, clan-based societies in contrast to capitalism

And there may be other forms too. One area of difference is: "The history of classical antiquity is the history of cities, but of cities founded on landed property and on agriculture; Asiatic history is a kind of indifferent unity of town and countryside (the really large cities must be regarded here merely as royal camps...); the Middle Ages (Germanic period) begins with the land as the seat of history, whose further development then moves forward in the contradiction between town and countryside" (p.479). In all these forms, the individual is submerged in the clan and in tributary relations. Marx restates (p.487-488) his views on the emptiness and alienation characteristic of capitalist society, and at the same time the immense potential for future emancipation incubated in it, and the futility of backward-looking romantic reactions (cf p.158).



Transition to capitalism and the "double freedom"



Transition from a tributary mode to capitalism "presupposes a process of history which dissolves the various forms in which the worker is a proprietor, or in which the proprietor works. Thus above all: (1) Dissolution of the [worker's] relation to the earth - land and soil... [of] all forms... [of] community, whose members, although there may be formal distinctions between them, are, as members of it, proprietors... (2) Dissolution of the relations in which [the worker] appears as proprietor of the instrument [of production]... (3) [Dissolution of situations where the worker] has the means of consumption in his possession before production, which are necessary for him to live as producer... (4) Dissolution likewise at the same time of the relations in which the workers themselves... are slaves or serfs..." (p.497-8).

The workers become propertyless. How does capital emerge?

"The formation of capital [emerges]... from merchant's and usurer's wealth". (p.505). But generally it is not the merchants and usurers who become the industrial capitalists. "The capitalist inserts himself as (historic) middle-man between landed property, or property generally, and labour" (p.505)



Richard Arkwright was the son of a barber and wigmaker. James Hargreaves was a weaver and carpenter. Henry Cort was a former clerk, thought to have been the son of a builder. Matthew Boulton's father owned a small metal-working shop. John Wilkinson's father worked at a blast furnace. Josiah Wedgwood's father was the master-potter at the churchyard works in Burslem. James Watt first worked as a mathematical and scientific instrument maker.

Capital does not create the means of production

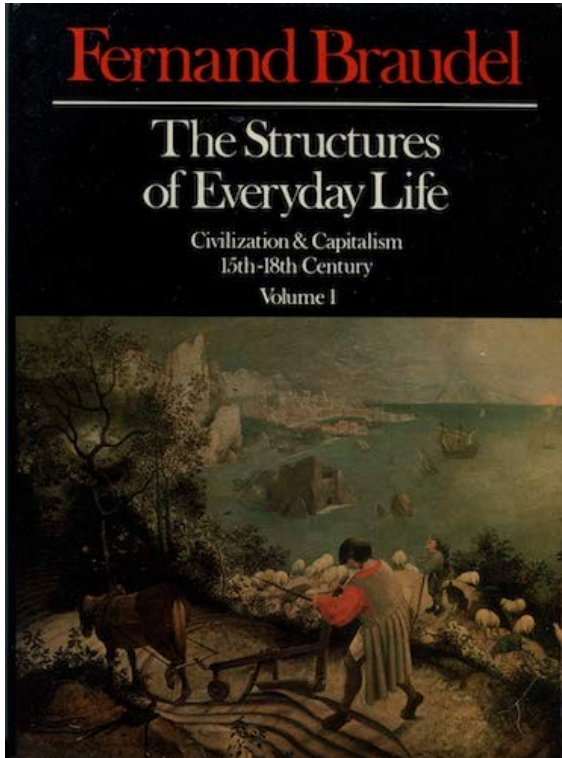


"Capital proper does nothing but bring together the mass of hands and instruments which it finds on hand... There can... be nothing more ridiculous than to conceive this original formation of capital as if capital had stockpiled and created the objective conditions of production - necessities, raw materials, instrument - and then offered them to the worker, who was bare of these possessions. Rather, monetary wealth in part helped to strip the labour powers of able-bodied individuals from these conditions..." (p.508-9)



The German word for "employer" is *Arbeitgeber* - literally, "work-giver". Modern English usage describes capitalists as "wealth-creators".

Some points to discuss



1. Over and above the inconclusive passages about different pre-capitalist forms, Marx basically sees three great epochs of large-scale organised society (p.484, also 158). What three?
2. Is capitalism an advance over tributary forms? Why?
3. Why do capitalists not evolve from guild-masters (p.498)?



Grundrisse #12 - Turnover, transport, utilities, "positing" (514-533)

The profit rates of different capitalists will be affected by speed of turnover as well as by work conditions. Marx will come back to this later. Transport to market is an integral part of production of commodities. Public utilities (roads, etc.) will often be constructed by the state, but the tendency of most-developed capitalism is to privatise them.

Public works: state-owned or as private enterprises?



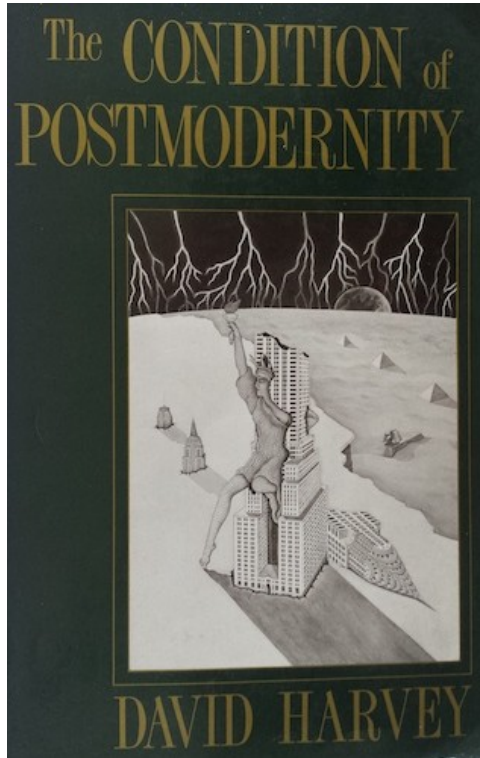
"All general conditions of production, such as roads, canals, etc... presuppose, in order to be undertaken by capital instead of by the government which represents the community as such, the highest development of production founded on capital. The separation of public works from the state, and their migration into the domain of the works undertaken by capital itself, indicates the degree to which the real community has constituted itself in the form of capital..." (p.531; see also p.532). Yet from the late 19th century through to the 1970s, it was Marxist orthodoxy that as capitalism progressed, the economic role of the state would inexorably increase.

Transport is capitalistically productive labour

"The bringing of the product to market, which is a necessary condition of its circulation... could more precisely be regarded as the transformation of the product into a commodity. Only on the market is it a commodity" (p.534, also 624, 672). Thus goods-transport labour is capitalistically productive labour. Though Marx sometimes wrote as if only labour producing physical goods was productive, in fact he was clear that much "services" labour is productive, and there can be "immaterial" commodities (labour-power!)



"The annihilation of space by time"



"The creation... of the means of communication and transport - the annihilation of space by time - becomes an extraordinary necessity for capital" (p.524). David Harvey has expanded much on this phrase: "The general trend is towards an acceleration in turnover time (the worlds of production, exchange, consumption all tend to change faster) and a shrinking of space horizons... A revolution in temporal and spatial relations often entails not only the destruction of ways of life and social practices built around preceding time-space systems, but the 'creative destruction' of a wide range of physical assets embedded in the landscape. The recent history of deindustrialisation..."

Turnover time

On pages 518ff, also p.543, and later, Marx discusses the relation between rate of profit and speed of turnover in a way messed up by confusions which also mark the discussion in *Capital* (volume 3, chapter 18). Marx does not distinguish clearly between stock and flow. His argument here and in *Capital* vol.3 depends on the idea that a variable capital of a given amount will generate more surplus value if the capital turns over more rapidly. Not necessarily. The governing assumption of the calculations on p.652-7 is that each next "production phase" must wait for the sale of the products of the previous one. As if capitalist production were like a craft shoemaker, waiting for the sale of each pair of shoes so that they can buy leather to make the next one.

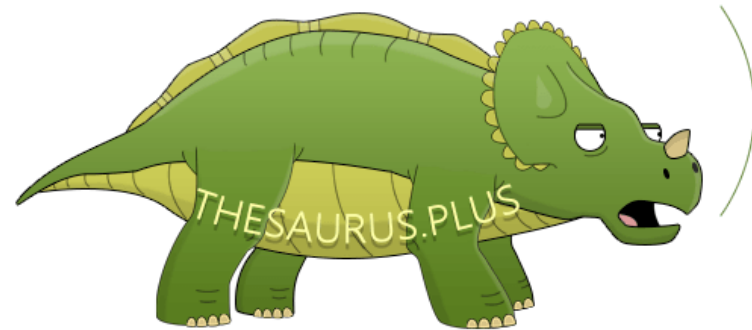


"Positing"

These pages also include (pp.516-517) passages where the terms "posit" and "presuppose" are very heavily used. These are translations of two connected everyday German words, "setzen" (set, put, sit) and "voraussetzen" (presuppose, assume). Inwood in his *Hegel Dictionary* explains: "To say that something is *gesetzt* has two implications, either of which may be dominant in a given context. (1) What is *gesetzt* is explicit or set out rather than implicit or in itself: what is implicit in the seed is *gesetzt* in the plant... (2) What is *gesetzt* is produced by or dependent on something else... In sense 2, *gesetzt* and *setzen* are often equivalent to 'mediated' and 'mediate'.... The cause (physically) posits the effect, but the effect (conceptually) posits the cause... *Setzen* forms many compounds: An important one for Hegel is *voraussetzen*, 'to presuppose, require, assume (a thing or proposition)', but literally 'to posit beforehand, in advance (*voraus*)'.

synonyms for posit:

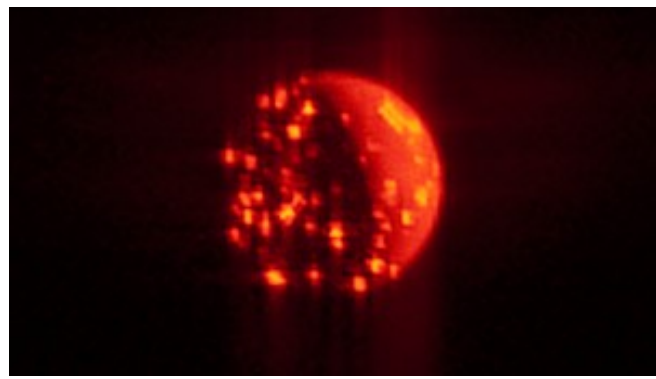
postulate, state, put forward, submit, presume, assume, suppose, assert, presuppose, hypothesize



Some points to discuss



1. More advanced capitalism means more statism? Or more privatisation?
2. Transport workers are "productive" in the capitalist sense? What "service" workers aren't?
3. How does the idea of the "annihilation of space by time" help understand globalisation and postmodernism?



Grundrisse #13 - universalising tendency of capital; more on labour vs labour-power; labour in capitalism and in future (534-690)

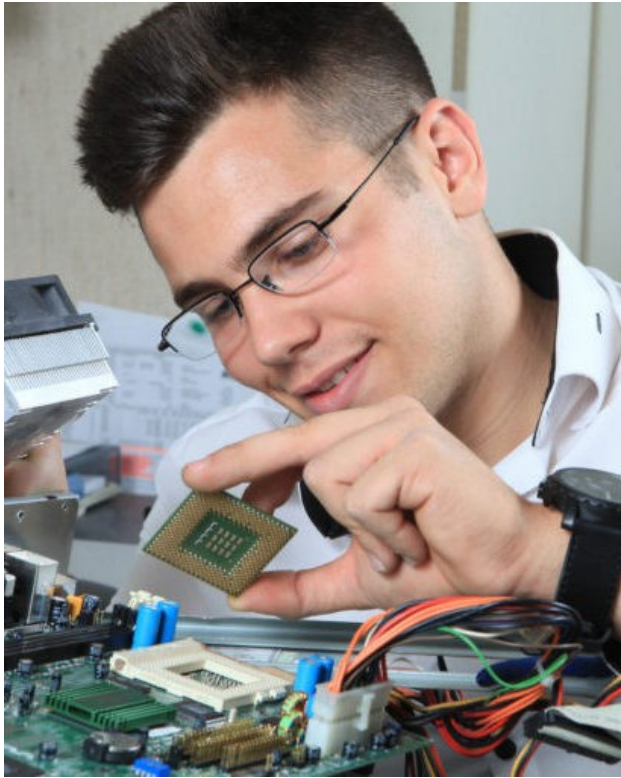
From about this point onwards, the notes in the *Grundrisse* become more diffuse and disjointed. A large part is taken up by less-interesting notes on previous economists. Nevertheless, Marx studs these pages with vivid remarks on important issues.

Pages studied with comments on:

- 1) Consolidating the distinction, opposition even, between labour and labour-power (or labour-capacity) which has emerged in the earlier sections of the *Grundrisse*;
- (1) *Why* labour is the substance of value, and labour-time the measure of value - an idea pretty much taken for granted in the earlier sections of the *Grundrisse*;
- (2) Capital's drive to develop human potentialities beyond any pre-set limit; how it does that in a way which cramps and the subjugates the majority, and also brings great crises; but also, how in doing that it lays the basis for exploding itself and allowing the creation of a new society.



Marx vs Smith on why labour-time is the measure of values



Marx rejects Smith's view in which "labour [is] regarded as a sacrifice... as a *price* paid for things and hence giving them price depending on whether they cost more or less labour" (p.612). In fact, "products can be measured with the measure of labour - labour time - only because they are, by their nature, labour" (p.613). (Labour of a particular social type). "The negation of tranquillity, as mere negation, ascetic sacrifice, creates nothing" (p.613). And "if the worker should enjoy his work then the product does not lose any of its value" (p.612).

Socialism will not be just fun and idleness

Marx says that "general industriousness" developed by capitalism is the basis for socialism (p.325) and for labour to become "self-realisation, objectification of the subject, hence real freedom, whose action is, precisely, labour". Then "labour becomes attractive work, the individual's self-realization, which in no way means that it becomes mere fun, mere amusement, as Fourier [an earlier socialist] conceives it. Really free working, e.g. composing, is at the same time precisely the most damned seriousness, the most intense exertion..." (p.611)



Linus Torvalds, creator of Linux

"Universalising", not "free enterprise", as basis for emancipation

The "universalising" and "propagandistic" character of capitalist development (p.540-2) brings the development of new needs, connections, technologies, thus of emancipation. Very different from capitalist "free enterprise".



"Free competition is the real development of capital... [and] 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... The assertion that free competition = the ultimate form of the development of the forces of production and hence of human freedom means nothing other than that middle-class rule is the culmination of world history..." (p.649-52)

The capitalist pays for labour-power, not for labour

"What is exchanged for wages is labour capacity, and this does not figure in production at all, but only in the use made of it -- labour. Labour appears as the instrument of the production of value because it is not paid for, hence not represented by wages. As the activity which creates use values, it likewise has nothing to do with itself as paid labour. In the hand of the worker, the wage is no longer a wage, but a consumption fund. It is wages only in the hand of the capitalist, i.e. the part of capital destined to be exchanged for labour capacity. It has reproduced a saleable labour capacity for the capitalist, so that in this regard even the worker's consumption takes place in the service of the capitalist. He does not pay for labour itself at all, only for labour capacity" (p.593-4. Also pp.572, 576, 673-4)

PLEASE CHECK CONTENTS IMMEDIATELY
ON RECEIPT

Name

Date No

| | | |
|-------------|--|--|
| WAGES | | |
| S.S.P. | | |
| Total Wages | | |

| | | | | |
|-----------------------|--|--|--|--|
| National Insurance | | | | |
| Savings | | | | |
| Pensions | | | | |
| Income Tax | | | | |
| TOTAL DEDUCTIONS | | | | |
| WAGES LESS DEDUCTIONS | | | | |
| INCOME TAX REFUND | | | | |
| NET AMOUNT PAYABLE | | | | |

Some points to discuss



1. "The analysis of what free competition really is, is the only rational reply to the middle-class prophets who laud it to the skies or to the socialists who damn it to hell" (p.652). What's wrong with the socialists damning it to hell?
2. What will work and life be like in a socialist society?
3. Commodities are measured by price. So how can Marx say they are measured by labour?

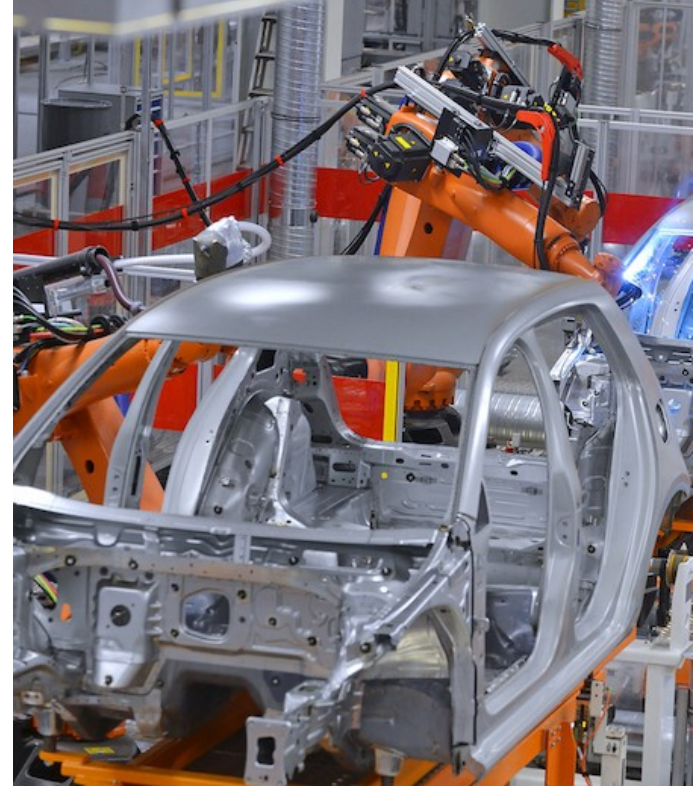


Grundrisse #14 - General intellect (690-743)

These pages include the "Fragment on Machines" (now famous because discussed a lot by "operaista" writers) and have Marx speculating about a more automated capitalism and about labour in a future socialist society.

Marx foreshadows automation

"The production process has ceased to be a labour process in the sense of a process dominated by labour as its governing unity. Labour appears, rather, merely as a conscious organ, scattered among the individual living workers at numerous points of the mechanical system; subsumed under the total process of the machinery itself... The accumulation of knowledge and of skill, of the general productive forces of the social brain, is thus absorbed into capital, as opposed to labour..." (p.693-4).



"General social knowledge" and "the general intellect"



"The development of fixed capital indicates to what degree general social knowledge has become a direct force of production, and to what degree, hence, the conditions of the process of social life itself have come under the control of the general intellect and been transformed in accordance with it. To what degree the powers of social production have been produced, not only in the form of knowledge, but also as immediate organs of social practice, of the real life process" (p.706).

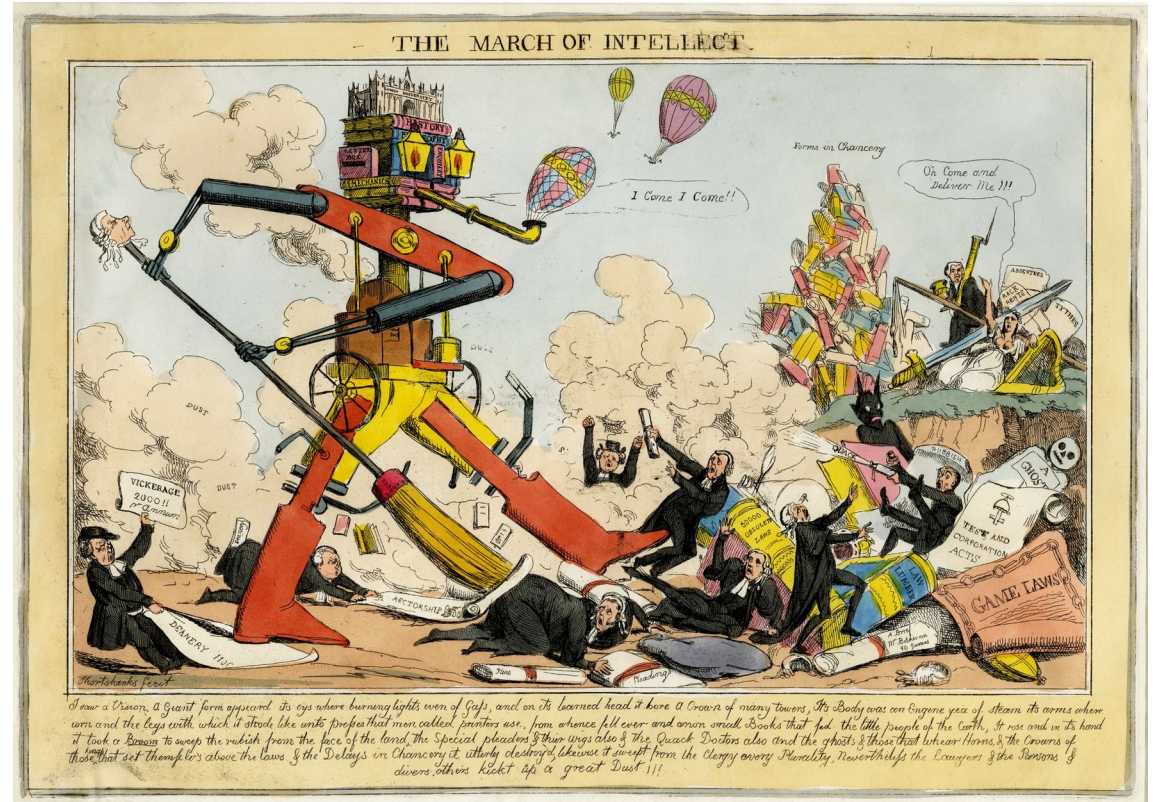
"Time set free" and "means created" for all by technology



"The surplus labour of the mass has ceased to be the condition for the development of general wealth, just as the non-labour of the few for the development of the general powers of the human head. [So we have the basis for] the free development of individualities... the general reduction of the necessary labour of society to a minimum, which then corresponds to the artistic, scientific etc. development of the individuals in the time set free, and with the means created, for all of them" (p.706).

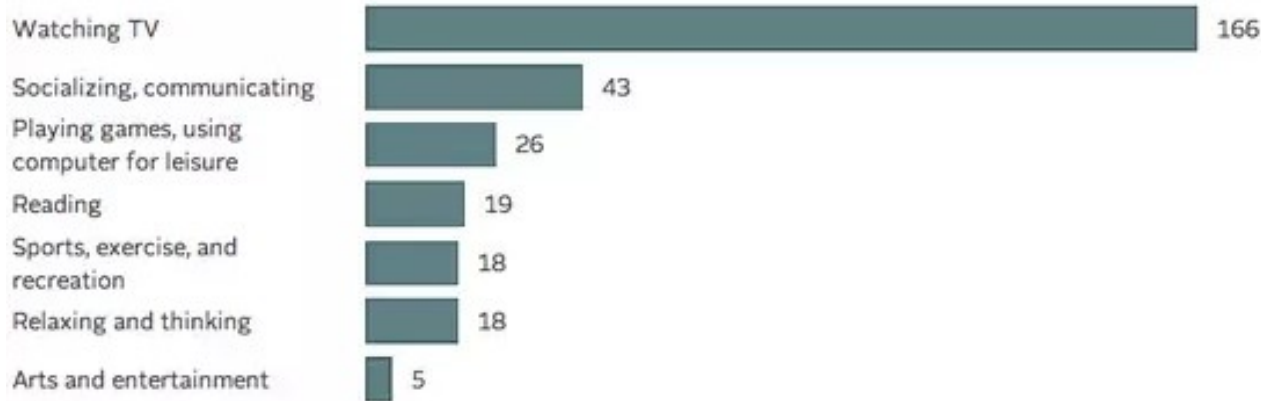
"The March of Intellect"

Early 19th century radicals like Henry Brougham and James Mill (the founders of University College London in 1826) saw the advance of newspapers, literacy, technology as the "March of Intellect", the key to progress. Conservatives mocked them, as in this cartoon. Marx saw the "intellect" of skilled workers being "absorbed into capital" as machines mimicked and took over production processes previously done by hand.



What socialist people will do in that free time

Average time spent per day, minutes (selected activities)



Figures on left from USA. Other surveys show daily TV-watching time in Europe varying from 332 in Serbia to 113 in Norway; and daily reading times from 90 in India through 60 in France and Sweden to 50 in UK.

"Labour cannot become play, as Fourier [an earlier socialist] would like... Free time – which is both idle time and time for higher activity – has naturally transformed its possessor into a different subject, and he then enters into the direct production process as this different subject. This process is then both discipline, as regards the human being in the process of becoming; and, at the same time, practice, experimental science, materially creative and objectifying science, as regards the human being who has become, in whose head exists the accumulated knowledge of society" (p.712).

Some points to discuss



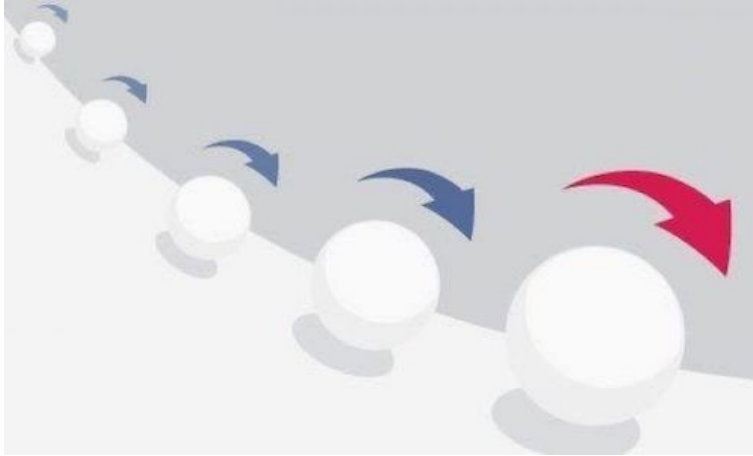
1. There is some evidence that socialist citizens will not just spend their spare time mostly watching crap TV or playing on their phones, and thus more free time will mean more creativity, etc. What is it?
2. "General intellect", "social brain", etc. Marx hints that capitalist production will require ever-greater levels of general education, less static "craft" skill. "Growth of the population and [its] training for labour (including thereby also a certain amount of free time for non-labouring, not directly labouring population, hence development of mental capacities etc...)" (p.774). Marx (according to e.g. Pasquinelli) adapted the idea of "general intellect" from the Ricardian socialist William Thompson, who in turn based himself on early 19th century Radical ideas about the spread of print and literacy as "The March of the Intellect". Doesn't this argument, today, point us towards greater socialist attention to educational inequalities and inadequacies?
3. In *Capital*, Marx sees the "productive forces of the social brain" being "absorbed into capital" by machines being made to mimic and take over what had been done in manual skill. But already in his day he recognised some machines did jobs that had never and could never been done by manual skill. Much more of that since. Doesn't that shift reinforce the need for greater socialist attention to educational inequalities and inadequacies?
4. Marx put the case for seeing the working class as central to socialism in two ways. The first is negative - the working class as the totally-oppressed absolute negation of existing society - as expressed in Marx's 1844 *Introduction to a Critique of Hegel's Philosophy of Right*. The other is positive - the working class as a class with great skills and propensities generated by its inevitable struggles within capitalist society - and it begins with Marx's discussion of trade-union struggles in *The Poverty of Philosophy*. Doesn't Marx's discussion of automation here point to an enriching of the "positive" argument?
5. Marx talks about the worker becoming "watchman and regulator to the production process" (checking, debugging, adjusting) while the direct production is by machine (p.705). What about the worker as manually-skilful repairer, maintenance-person, installer? or designer, planner, educator, carer? Or in a "bullshit job"?
6. Does the passage on p.705, saying that with advanced technology, "labour-time ceases and must cease to be its measure [the measure of wealth], and hence exchange value <must cease to be the measure> of use-value", mean that the labour theory of value breaks down with advanced technology? "... muss aufhören die Arbeitszeit sein Mass zu sein und daher der Tauschwert [das Mass] des Gebrauchswerts".



Grundrisse #15 - "Capital as fructiferous". Tendency of the rate of profit to fall (743-882)

In these pages, Marx's notes become much scrappier, and sometimes for many pages on end are little more than strings of copied-out excerpts from previous economists. There are at least four main themes worth discussion, some of them returns to ideas previously sketched in earlier pages of the *Grundrisse*; and other interesting remarks, of course.

Capital as fructiferous



The term translated as "relates to itself" is *sich verhalten*, in ordinary German "conducts itself", in Hegel generally "relates to itself", e.g. *Phenomenology* preface §25.

Capital appears as self-increasing by its own impetus. "Capital relates to itself as self-increasing value; i.e. it relates to surplus value as something posited and founded by it; it relates as well-spring of production, to itself as product; it relates as producing value to itself as produced value. It therefore no longer measures the newly produced value by its real measure, the relation of surplus labour to necessary labour, but rather by itself as its presupposition... Surplus value thus measured by the value of the presupposed capital, capital thus posited as self-realising value - is profit... The product of capital is profit" (p.746). Hence prices diverging from value because set by the tendency of profit rates to equalise.

The tendency of the rate of profit to fall

Surplus-value increases, so Marx argues, but fixed capital increases faster, therefore the rate of profit falls. "This is in every respect the most important law of modern political economy, and the most essential for understanding the most difficult relations. It is the most important law from the historical standpoint... The development of the productive forces brought about by the historical development of capital itself, when it reaches a certain point, suspends the self-realisation of capital, instead of positing it" (p.748-9).



"Suspends" is *aufhebt*, in ordinary usage cancels, etc.; "positing" is *setzen*, in ordinary usage setting, etc.

Interest vs profit

"The form of interest is older than that of profit... Profit thus appears originally determined by interest. But in the bourgeois economy, interest determined by profit, and only one of the latter's parts. Hence profit must be large enough to allow of a part of it branching off as interest. Historically, the inverse. Interest must have become so depressed that a part of the surplus gain could achieve independence as profit" (p.851-2).



In *Capital* vol.3 Marx argues that because an industrial capitalist can expect to make $x\%$ per year profit from an advance of capital, he will borrow the money from a money-capitalist, giving the money-capitalist $y\%$ per year interest and keeping $(x-y)\%$ as what bourgeois economists call "profit of enterprise". The relative level of x and y is an empirical question.

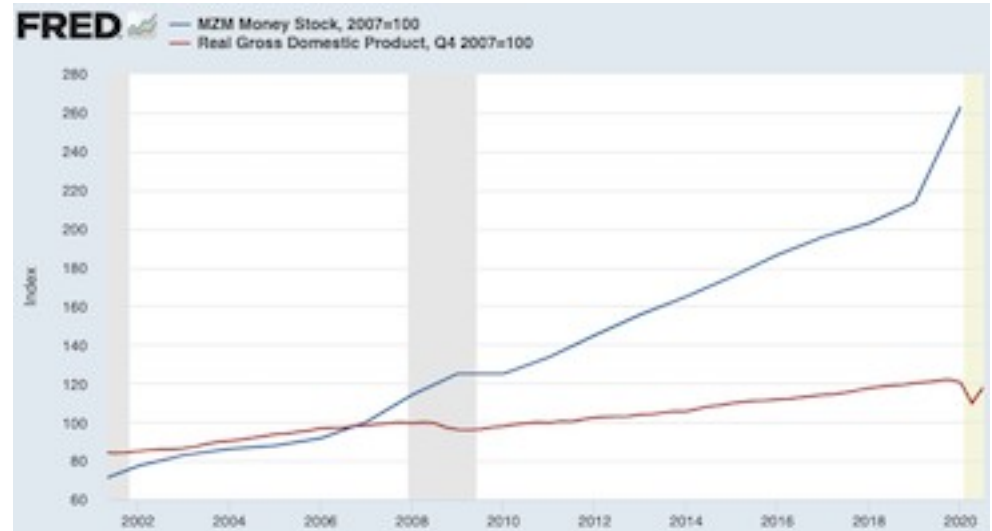
Value and capital



"Value, which appeared as an abstraction, is possible only as such an abstraction, as soon as money is posited; this circulation of money in turn leads to capital, hence can be fully developed only on the foundation of capital, just as, generally, only on this foundation can circulation seize hold of all moments of production... Categories such as value, which appear as purely abstract, show the historic foundation from which they are abstracted, and on whose basis alone they can appear, therefore, in this abstraction... The concept of value is entirely peculiar to the most modern economy, since it is the most abstract expression of capital itself and of the production resting on it. In the concept of value, its secret betrayed" (p.776).

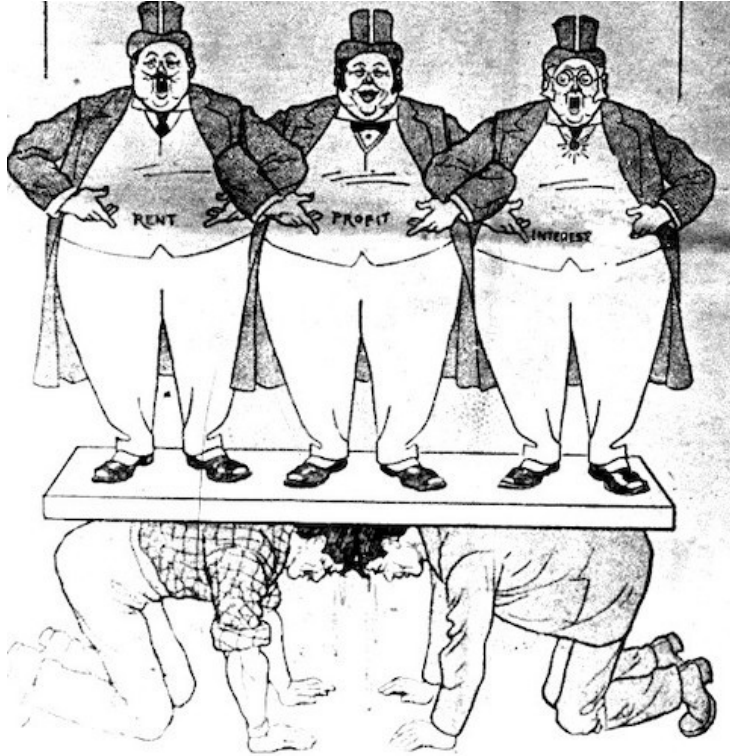
Money and gold, money-stock and prices

Marx here devotes many pages to excerpts from other economists on money, collecting facts about money systems at various times and commenting critically on bourgeois theories. Unfortunately two main propositions of Marx's comments do not hold up today. First: that money must be based on gold, or some similar actual money-commodity, actual embodiment of actual labour (cf p.793).



Second: "trade regulates currency (the quantity of the medium of circulation), and currency does not regulate trade...." (p.814). That is true only if the money is based on gold. It is not true for pure paper money. (The inverse, the "quantity theory", is not true either).

Some points for discussion



1. Marx cannot quite have meant it literally on p.776 that value is entirely peculiar to modern capitalism. What is he getting at?
2. In modern bourgeois economics, interest appears as the primary form of profit, and separate "profit of enterprise" only as a "disequilibrium" quirk. What's wrong with that idea?
3. May Marx's use of Hegelian language here have blurred his awareness of what he and Engels had written in 1845 (*The Holy Family*)? "History does nothing, it 'possesses no immense wealth', it 'wages no battles'. It is man, real, living man who does all that, who possesses and fights; 'history' is not, as it were, a person apart, using man as a means to achieve its own aims; history is nothing but the activity of man pursuing his aims". Or even of his argument in the *Grundrisse* itself that capital as an active force is *the capitalists*?