

KARL MARX
FREDERICK ENGELS

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COLLECTED WORKS

VOLUME

28



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Translated by
ERNST WANGERMANN

Preface

Volume 28 of the *Collected Works* of Marx and Engels opens a new section of this edition, containing Marx's main work, *Capital*, its preliminary versions and the economic writings which immediately preceded it.

The first two volumes of this section, 28 and 29, contain the *Outlines of the Critique of Political Economy*—the economic manuscripts widely known as the *Grundrisse der Kritik der politischen Oekonomie* (the editorial heading under which they were first published in the language of the original in Moscow in 1939-41)—and also Marx's work *A Contribution to the Critique of Political Economy*. The findings of research undertaken in the Soviet Union, the German Democratic Republic and other countries into the *Grundrisse* since the appearance of the first edition, particularly in connection with their publication in the second Russian edition of *Works of Marx and Engels* and in the second edition of *Marx-Engels Gesamtausgabe* (MEGA₂, a collection of works by Marx and Engels in the languages of the originals), have been taken into account.

In the present edition the whole range of economic works written in the period 1857-61 is divided up into two interrelated groups. The first of these is the series Economic Manuscripts of 1857-58 which strictly speaking represent the original rough version of *Capital*. Of these Volume 28 includes "Bastiat and Carey", "Introduction" and the first, larger instalment of the *Grundrisse* (the Chapter on Money and the greater part of the Chapter on Capital).

Volume 29 contains the concluding part of the Chapter on Capital and the *Index to the 7 Notebooks*. It also includes the second

group of works dating from that period: *A Contribution to the Critique of Political Economy* (which came out in 1859) and preparatory material for that work—a fragment of the original text of the second and of the beginning of the third chapter, a draft plan for the third chapter, and also *References to My Own Notebooks*.

Viewed as a whole, these works represent a complete cycle, reflecting a crucial stage in the formation of Marxist political economy and in the writing of *Capital*. They immediately preceded the economic manuscript of 1861-63, which was the first systematic, although still not final, elaboration of the contents of all the volumes of *Capital*. Basing himself on the results achieved and completing yet another manuscript version of his work in 1863-65, Marx was able to start preparing for publication the first volume of *Capital*, which came out in September 1867, and continue work on the other volumes.

Capital represents the supreme achievement of Marx's theoretical thought, an outstanding scientific feat accomplished in the name of the intellectual and social emancipation of toiling mankind. This work of genius is virtually the product of Marx's whole life. As early as the 1840s, when Marx had only just embarked on research into economic problems and was working on his *Economic and Philosophic Manuscripts of 1844*, he sketched the outlines of a major economic work. His subsequent studies in political economy were subordinated to this broad plan, which he originally intended to realise in the form of a two-volume work entitled *A Critique of Politics and Political Economy*.

The 1840s were an important stage in the development of Marxist economic theory. The dialectical materialist conception of history worked out by Marx and Engels enabled them to reveal the essential features of the capitalist economy and understand its contradictory, antagonistic nature. In his works of the 1840s—*The Poverty of Philosophy*, *Speech on the Question of Free Trade and Wage Labour and Capital* (see present edition, vols. 6 and 9)—Marx took his first steps towards a detailed elaboration of his economic theory. In those works certain aspects of the future theory of value and surplus value were worked out. However, it required further elaboration to become a comprehensive economic teaching.

A new stage in Marx's economic research began after the defeat of the revolution of 1848-49, when, in the autumn of 1849, he was to move to England, where he was able to resume his studies in political economy. Not content with the results already achieved

and the material he had collected during his stay in Paris in 1844 and in Brussels between 1845 and 1847, which made up many notebooks of excerpts from various economic writings, Marx, in his own words, started from scratch once more. With unflagging energy he supplemented, elaborated and developed the economic data collected in the forties, without losing sight of his long-term project for a major economic work.

Until July 1857 Marx's work consisted mainly in collecting and critically assessing an enormous wealth of material on economic problems, "a veritable Mont Blanc of factual material", to use Lenin's expression, and also in direct study of all and every development of significance in the economic life of Britain and other countries at that time. Marx turned once again to the works of Adam Smith and David Ricardo, of which he made a most thorough study. He also used voluminous material on various aspects of economics and politics from the vast collection of the British Museum library and from the current press. Between 1850 and 1853 Marx filled with excerpts 24 notebooks which he numbered I to XXIV (there are also several unnumbered notebooks). He made repeated attempts to systematise that material. Evidence of this are his notebooks in which excerpts from different authors are grouped according to subject and supplied with brief commentaries, and also his manuscript headlined "Reflections" (present edition, Vol. 10). Marx made extensive use of the notebooks in writing his works. He often refers to them by number and page number in the *Grundrisse*.

Marx set forth his first theoretical conclusions drawn from his new research in letters to Engels dated 7 January and 3 February 1851 (see present edition, Vol. 38), in which he criticised Ricardo's theory of rent, based on Malthus's law of diminishing returns, and also Ricardo's theory of money circulation, based on the quantitative theory of money.

Expecting a new rise in the revolutionary movement, he intensified his economic research. In the summer of 1857 he twice embarked on an exposition of his economic theory: made drafts on the vulgar economists Bastiat and Carey and started writing the general "Introduction" which he did not finish. Yet on both occasions he had to interrupt his work.

The first ever world economic crisis, which broke out in the autumn of 1857, made Marx set down once again to a systematic exposition of the results of his research in political economy. "I am working like mad all night and every night collating my economic studies so that I at least get the outlines clear before the

déluge,” he wrote to Engels on 8 December 1857 (see present edition, Vol. 40, p. 217). At the time Jenny Marx wrote to Conrad Schramm: “By day Karl works for his living and by night at the completion of his political economy” (ibid., p. 566). Physical discomfort stemming from a liver disease seriously slowed down this work, obliging Marx to modify his plans. Nevertheless between late 1857 and May 1858 he completed an extensive manuscript of over fifty printed sheets—not for the press but for “self-clarification”.

The draft manuscript “Bastiat and Carey”, opening this volume, shows that by that time Marx had reached a far clearer understanding of the distinctions between the classical bourgeois political economy and its vulgar school, whose rise pointed to a decline in bourgeois economic thought. Marx accurately characterised the merits of the classical school while at the same time pointing out its limitations. Using his analysis of the views of Bastiat and Carey as an illustration, Marx singled out the main areas in which the theory of the classical political economists Smith and Ricardo was vulgarised by their imitators. He pointed out that unlike the classical economists, who did not conceal the contradictory character of capitalist production relations and “naively analysed their antagonism” (see this volume, p. 6), Bastiat, Carey and other vulgar economists sought to gloss over the antagonistic nature of the capitalist system, depicting it as the natural ideal of harmonious social development.

Although unfinished, Marx’s draft “Introduction” to his future economic treatise is of extraordinary scientific value. It shows that by the autumn of 1857 he had already worked out in detail the methodological principles of his economic theory, which rests on the basic conclusions drawn from the materialist conception of history, above all on the proposition concerning the primacy of social production. At the same time, unlike bourgeois economists who declared capitalist production eternal and treated production as some general abstraction, Marx in his “Introduction” wrote of production as shaped by specific social conditions, singling out bourgeois production of his time as the object of his research.

Setting forth his understanding of the subject of political economy, Marx rises above the limitations of the bourgeois economists, including the classical economists, who confined the tasks of economics to the study of relations of distribution. His analysis of the dialectical unity and interaction of production, distribution, exchange and consumption leads Marx to conclude

that production is not just the point of departure but also the decisive moment of this unity and that the forms of distribution are merely an expression of the forms of production. Thus the production relations between men, and the laws governing the development of a given mode of production, constitute the true subject matter of economics.

Marx worked out his ideas on various aspects of political economy in close connection with general philosophical questions of the revolutionary world outlook. Regarding production relations as the economic basis of social development, Marx went on to examine processes at work within the political and ideological superstructure, pointing out their dependence on the basis and their reaction on the basis. In the “Introduction”, for example, we find statements reflecting the development and concretisation of Marx’s views on certain ideological phenomena, in particular his ideas on the specific laws governing the development of art as one of the forms of social consciousness.

The conclusions drawn by Marx in the “Introduction”—that artistic creation is conditioned by specific historical social relations, although these are not reflected in works of art in a primitive, mechanical way, but in accordance with the special laws of development peculiar to art; that as a result of this periods of florescence in art do not necessarily coincide with periods of progress in the economy and other social spheres; that art plays an enormous social role and exerts a strong influence on social progress, and finally that the art of different epochs and different peoples contains inimitable and undying values of general relevance—form an essential part of the overall heritage of Marxian aesthetic ideas.

In the “Introduction” Marx thoroughly substantiated the method of political economy as a science, a method which he applied from all possible angles in his subsequent economic research. He contrasted the dialectical materialist interpretation of scientific method with Hegel’s idealist dialectics, while at the same time utilising all the rational elements of Hegel’s logic of scientific analysis.

Research, Marx pointed out in the “Introduction”, should start out from the immediately manifest and probe down into the very heart of phenomena until finally the very simplest determinations are reached. Only after that can the researcher move on from abstract determinations to “a rich totality of many determinations and relations” (see this volume, p. 37). While the first part of this path—from the concrete to the abstract—has virtually been

traversed by bourgeois political economy, the most important object of subsequent research is the "return journey", from the abstract to the concrete. This method of progression from the abstract to the concrete Marx regarded as "the correct scientific method". It presupposes that the concrete, which provides the starting point for theoretical analysis, appears in the outcome of research as the unity of diverse elements, the synthesis of many definitions. In Marx's theory, scientific abstractions are inseparably linked with concrete reality as their premiss, while the course of abstract thought moving on from the simple to the complex corresponds, on the whole, to the actual historical process.

Pointing to the need of combining the logical and historical approaches to the object of research in progressing from the abstract to the concrete, Marx regarded the logical and the historical as a dialectical unity but not an identity. He stressed that a logical appraisal of individual economic categories cannot be replaced by an historical one, for at different stages of history various economic phenomena have played roles different from the one they play in a given economic structure. However, the researcher is obliged to bear in mind that the economic categories under investigation are the product of historical development, that they came into being within a definite historical context and have undergone a definite historical evolution. In order to grasp the essence of an economic phenomenon, it is vital to study both its developed form and its embryo, its origins. Logical analysis cannot be an arbitrary mental construction divorced from actual historical development. It must be organically combined with historical analysis, for this combination provides for more detailed research and verification of conclusions.

The "Introduction" contains Marx's first outline of the structure of his future economic work (see this volume, p. 45). Amplifying it, he wrote to Lassalle on 22 February 1858: "The whole is divided into 6 books: 1. On Capital (contains a few introductory chapters). 2. On Landed Property. 3. On Wage Labour. 4. On the State. 5. International Trade. 6. World Market" (present edition, Vol. 40, p. 270). Marx gave a more detailed account of his plan to Engels in a letter dated 2 April 1858. In the framework of this overall plan Marx conducted his economic research between 1857 and 1861. It was only later that he changed the structure of his economic treatise.

The Manuscript of 1857-58 constitutes a landmark in the history of Marxism. In it Marx for the first time elaborated his theory of value and, on that basis, the theory of surplus value.

This was his second great discovery which, together with his discovery of the materialist conception of history, transformed socialism from a Utopia into a science.

The Manuscript of 1857-58 introduces the reader directly into the workings of Marx's mind, enabling him to follow step by step the creation of Marx's economic theory. Here the logic of Marx's research and the concrete aspects of the application of the scientific method described in his "Introduction" come particularly clearly to the fore.

The Manuscript of 1857-58 opens with a chapter on money, which later Marx numbered with the Roman figure II, since it was to be preceded by a chapter on value (see this volume, p. 51). Marx began this chapter with a critique of the economic views of Proudhon, in particular his theory of money. "To clear the way for critical and materialist socialism seeking to make understandable the actual historical development of social production, it was necessary to break with that brand of idealist political economy, whose last embodiment was, without himself realising it, Proudhon," Marx wrote later in an article "La 'Misère de la Philosophie'" which appeared in the French newspaper *Égalité* (No. 12, 7 April 1880).

Marx had first undertaken a critical analysis of Proudhon's sociological and economic conceptions underlying his Utopian reformist schemes for overcoming the contradictions of bourgeois society in his work *The Poverty of Philosophy* (1847). In that work, however, Marx still based his arguments to a considerable extent on the economic views of Ricardo. Now he criticised Proudhonism from the standpoint of the economic theory he had created, totally refuting the Proudhonist thesis concerning the possibility of overcoming the antagonistic character of the contradictions of capitalist society by means of a reform of the banks. These contradictions, Marx wrote, "can never be exploded by a quiet metamorphosis" (see this volume, pp. 96-97). Marx's research made it quite clear that the attempts by Proudhon and his adherents to "amend" the capitalist system and eliminate its "shortcomings", while retaining its economic foundations, were scientifically untenable and in practice could only disorient the working class and divert it from the real tasks of the proletarian struggle.

Criticising Proudhonist illusions, Marx elaborated in his manuscript all the basic elements of the genuinely scientific theory of value. He demonstrated how in the process of development of social production and of the social division of labour products are

converted into commodities and commodities into money. "The real question is: does not the bourgeois system of exchange itself make a specific instrument of exchange necessary?" Marx noted, "Does it not of necessity create a special equivalent of all values?" (see this volume, p. 65). Here Marx raised the question of the essential link between commodity and money, which he had first formulated in *The Poverty of Philosophy*; however, he provided a solution to this question only in the Manuscript of 1857-58. It was based on his analysis of the two aspects of the commodity—its use value and its value—and of the dual nature of labour creating the commodity. Marx showed that the contradiction between the qualitative homogeneity of commodities as values and their natural difference as use values finds its external solution in the process of exchange, in the splitting of the commodity into commodity and money, in the fact that the value of the commodity acquires an independent existence in a special commodity, namely money. Money, which provides an external solution to the contradiction between the use value and the value of the commodity, at the same time aggravates all the contradictions of commodity production based on private exchange. Inherent in these contradictions is the possibility of economic crises.

Marx's thesis on the dual nature of labour in commodity production constitutes the basis of his theory of value. It is precisely here that we find one of the main dividing lines which set apart his theory from the labour theory of value put forward by the classical bourgeois economists. These economists did not understand the qualitative difference between concrete and abstract labour, reducing the whole question to measuring value by labour time. Actually, as Marx was later to point out, "the *whole* understanding of the facts" hinged upon the appreciation of this dual nature of labour.

As he elaborated his theory of value, Marx discovered in the commodity the "economic cell" of bourgeois society. The point of departure in his analysis of the economic structure of society is neither value nor the value relationship of commodities but the commodity itself, the material bearer of those relations. This was precisely the reason why Marx later changed the name of the first chapter of his work, calling it "The Commodity". Already in his first draft of this chapter, at the end of the manuscript (see Vol. 29) Marx wrote: "The commodity is the first category in which bourgeois wealth makes its appearance."

One of the main conclusions drawn by Marx in the Chapter on Money was that the developed form of commodity production in conditions of private property in the means of production presupposes capitalist relations. The development of commodity production and exchange value inevitably tends to "the separation of labour and property; as a result, one's labour will create someone else's property and property will command someone else's labour" (see this volume, p. 170).

The major part of the economic Manuscript of 1857-58 consists of the Chapter on Capital.

In this volume are published the first section of that chapter, examining the process of the production of capital, and a large part of the second section, which deals with the circulation of capital. The end of the chapter is included in Volume 29. Taken as a whole, the Chapter on Capital covers the main questions which Marx intended to treat in the first of the six books originally planned, namely in that which, according to the letter to Lassalle cited above (22 February 1858), was to be entitled "On Capital", and whose title is elsewhere given as "Capital in General". Later, after Marx had altered the structure of his work and started to think in terms of a three-part study (*The Process of Production of Capital, The Process of Circulation of Capital and The Process of Capitalist Production as a Whole*), the material contained in this chapter provided the starting-point for the whole work.

In the Chapter on Capital Marx concerned himself with the problem central to the whole of his analysis, that of explaining the mechanism of capitalist exploitation. Bourgeois economists regarded capital as the simple sum of values, vainly attempting to move on directly from value to capital and grasp the essence of the transformation of money into capital. Marx notes that "the simple movement of exchange values, as it is present in pure circulation, can never realise capital" (this volume, p. 185).

The content of capitalist production relations is the relation between worker and capitalist, between labour and capital, which stand opposed to each other and between which exchange takes place. The difficulty in analysing these relations lies in the fact that the essentially non-equivalent exchange between worker and capitalist is carried on on the basis of an exchange of equivalents.

Marx started out by dividing the exchange between capital and labour into two qualitatively different, diametrically opposed processes: (1) the actual exchange between the worker and the capitalist as a result of which the capitalist "obtains the productive power which maintains and multiplies capital" (see this volume,

p. 204); (2) the actual process of labour in which the maintenance and multiplication of capital takes place. In his analysis of the first stage Marx formulated the following thesis: "In the relationship of capital and labour ... one side (capital) faces the other above all as *exchange value* while the other side (labour) faces capital as use value" (see this volume, p. 197). From the bourgeois economists' traditional formulas "commodity labour" and "sale of labour" Marx passed on, for the first time, to an investigation of the specific properties of the commodity "labour power" (although in this manuscript he mostly uses the term "labour capacity"). Labour in Marx's analysis does not figure as a commodity, but as the use value of the commodity the worker sells to the capitalist. The peculiarity of this use value lies in the fact that it "is not materialised in a product, it does not exist in any way external to him [the worker]. Consequently, his use value does not exist in reality but only potentially, as his capacity" (see this volume, *ibid.*). As a result of the first stage of the exchange between labour and capital the control of the worker's living labour has passed into the hands of the capitalist. The second stage of the exchange is the actual process of the creation of exchange values, as a result of which capital is maintained and increased.

Marx demonstrated that since the worker does not own the means of production he cannot be the owner of the value which living labour creates in the production process. Part of the value created by the worker and belonging to the capitalist the latter is obliged to return to the worker in the form of wages so as to pay the value of labour power, i. e. the quantity of labour spent on the production of the worker himself. If the level of labour productivity is so high that the value created by living labour exceeds the value of labour power, surplus labour is being performed, and the capitalist receives surplus value equal to the difference between the value created by living labour and the value of labour power.

In the Chapter on Capital Marx also developed his teaching on the two forms of surplus value—absolute and relative surplus value—and in this connection formulated the ambivalent tendency of capital: towards lengthening the working day as a means of increasing absolute surplus value, and towards reducing the necessary labour time as a means of increasing relative surplus value.

Having revealed the true nature of surplus value, Marx proceeded on this basis to investigate its converted forms—profit, interest, rent—which appear on the surface of bourgeois society.

Basing himself on the theory of the two forms of capital—constant and variable—elaborated for the first time in this manuscript, Marx put forward a new theory of profit qualitatively different from that of bourgeois political economists, who constantly confused specific forms of surplus value with its general form. In a letter to Engels about his work on this manuscript Marx wrote on 16 January 1858 that he had "completely demolished the theory of profit as hitherto propounded" (see present edition, Vol. 40, p. 249).

Marx had now come very close to the discovery of the law of average profit and price of production. After establishing that the profit of the whole capitalist class could not exceed the sum of surplus value, Marx concluded that of necessity individual rates of profit varied from one branch of production to another and that these were redistributed as a result of inter-branch competition, thus forming a general rate of profit. He went on to demonstrate that this general rate was formed through the redistribution of the total sum of surplus value produced in all branches of capitalist production, in proportion to the amount of capital invested. It was a feature of this process that commodities were sold at prices that did not correspond to their values, being in some branches higher and in others lower than the values of the commodities. An exhaustive solution to the problem of average profit and price of production was to be provided by Marx later, in his Manuscript of 1861-63.

In the Manuscript of 1857-58 Marx critically analysed the theories of bourgeois economists, drawing comparisons between various bourgeois concepts and contrasting them with his own views on key questions of economics. The Manuscript of 1857-58 demonstrates graphically that Marx's elaboration of a new economic theory was combined with a critical refutation of concepts which were predominant in the economic thought of his day. Nor did Marx overlook the rational ideas expounded by his predecessors in political economy. He often came out in their defence against unjust accusations and reproaches from contemporary bourgeois political economists.

A particularly large amount of critical material is in the sub-section on bourgeois theories of surplus value and profit in Section Two of the Chapter on Capital. Although here Marx did not yet provide a comprehensive picture of the historical development of bourgeois economics, he nevertheless singled out many of the traits typical of bourgeois economic thought on this cardinal question in his critical analysis of the ideas expounded by

representatives of various schools of political economy, including the classical school of Smith and Ricardo. He pointed out its incapacity to penetrate to the heart of the relations between labour and capital and grasp the character of the appropriation of the product of the worker's surplus labour by the capitalist; he showed its tendency to consider capital itself only from the point of view of its material content, ignoring its essence as an historically determined form of social relations, and indicated a number of other fundamental shortcomings. As he singled these out Marx revealed the class causes accounting for the narrow outlook of the bourgeois economists. He stressed that even as penetrating a thinker as Ricardo had failed to clarify for himself the process of capitalist production, "nor, as a bourgeois, could he" (see this volume, p. 474). Marx severely criticised the theories of capital and profit set forth in the works of Say, Senior, McCulloch and other economists as blatant example of apologetic writing that hypocritically presented capitalist exploitation in a rosy light. Malthus's interpretation of the "value of labour" and wages was characterised by Marx as "shallow fallacy", and his theory of population as a "brutal expression" of the "brutal view taken by capital" (see this volume, pp. 496, 524). Marx pointed out that his theory was false from beginning to end and that it was based on tendentious premisses and completely ignored the historical changes in the conditions of production: "In this way, he [Malthus] transforms historically distinct relations into an abstract numerical relation which he simply plucks out of thin air, and which is based on neither natural nor historical laws" (see this volume, pp. 524-25).

In contrast to Malthus Marx revealed the real causes behind the formation of over-population in the pre-capitalist epoch and under capitalism. He pointed out that these causes were by no means to be found in the alleged insufficiency of natural resources and the increase of the human race, which was outgrowing them, but in the actual conditions of social production, in particular in the social contradictions, unemployment, etc., engendered by the capitalist system.

The Manuscript of 1857-58 testifies to the fact that by that time Marx was already thinking of allotting a special place in his future work to a critical survey of the history of bourgeois political economy from the viewpoint of its main problems.

While working on the Chapter on Capital Marx arrived at the conclusion—in accordance with his interpretation of the dialectical link between the logical and historical aspects of the scientific

research method—that it was essential to supplement his analysis of the capitalist mode of production with a survey of the preceding social forms on the one hand, and a survey of the social form which would inevitably replace capitalism on the other.

Marx included in his Chapter on Capital an historical description of the *forms that had preceded capitalist production*, in which he traced the development of the forms of property from primitive communal society to the emergence of capitalist forms of appropriation. The investigation of the pre-capitalist modes of production undertaken here by Marx constitutes a further elaboration of his views on the principal stages of the historical process first set forth in *The German Ideology*.

While analysing the pre-capitalist forms of property Marx probed to the very heart of the question of the various types of production relations, stressing the active role of the productive forces in the process of social development, which conditioned the inevitable change of these forms. In the Manuscript of 1857-58 Marx took another important step in the development of his theory of socio-economic formations.

Profound ideas were voiced here concerning the earliest stage of human history. Marx underlined the absence of class divisions in primitive society, which was dominated by tribal ties and communal principles. The collective spirit and, at the initial stage, the "herd spirit" were the dominant traits of primitive man's whole way of life.

The Manuscript of 1857-58 also contains an analysis of the forms of pre-capitalist exploitation, in particular slave and serf labour, and the features that set them apart from wage labour.

In his analysis of pre-capitalist formations Marx concentrated on problems of the evolution of the agricultural commune. The disintegration of the commune, retained in various forms in all previous stages, was, as he stressed, one of the conditions making possible the emergence of the capitalist mode of production. This to a considerable extent serves to explain Marx's particular interest in its historical fate. The historical and typological description of the commune first provided by Marx in the Manuscript of 1857-58 to this day clarifies many of the key problems of ancient and medieval history. Marx's ideas on the universality of the commune as the most ancient social institution, on its influence on social and political structures in ancient times and the Middle Ages, on the direction and main stages of its historical evolution and modification and on the reasons for its decline and disintegration, are as valid as ever today.

His analysis of the development of pre-capitalist forms of property enabled Marx to reveal the historical conditions for the emergence of the capitalist mode of production and to demonstrate that the main precondition was the disintegration of various forms of labourers' ownership of their conditions of production or of the ownership of labourers as an objective condition of production. In the Manuscript of 1857-58 Marx provided a profound treatment of the primitive accumulation of capital, demonstrating that its essence consisted on the one hand in the formation of a class of hired workers deprived of instruments or means of production and on the other in the transformation of former means of production into a "free fund", i.e., into capital free of traditional feudal, guild and other fetters. "The same process which confronts the masses of free workers with the *objective conditions of labour*, has also put them face to face with these conditions as *capital*" (see this volume, p. 427). For the first time the epoch of primitive accumulation was singled out as a specific, transitional period of historical development. In this context, Marx pointed out that the roots of capitalism should be sought not only in the development of urban industry, but in the process of the capitalist transformation of agriculture, which began in a number of countries (Britain, Holland) at the very dawn of the capitalist era.

In the Manuscript of 1857-58 Marx elaborated in more detail the principles of the scientific periodisation of the history of capitalist society which he had originally outlined as early as the 1840s in *The German Ideology* and *The Poverty of Philosophy*. He substantiated the need to draw a distinction between the manufactory and machine stages of capitalist development, pointing out that the manufactories were still unable to create the material basis for the universal spread of capitalist relations and for the ousting of pre-capitalist social forms. Only large-scale machine production can provide the basis for the final assertion of the capitalist system, it alone really makes possible the full domination of capital and at the same time creates the material conditions for its overthrow and the emergence of a new, more progressive order.

After studying the genesis of capitalism and disclosing the laws of its emergence and development Marx went on to define its actual historical position, demonstrating the inevitability of its collapse and of the abolition of the separation between labour and property intrinsic to that society.

Surplus value, treated in Marx's theory as the necessary result of capitalist relations of production and the expression of their

essence and contradictory character, shapes the law of the progress of the capitalist mode of production leading inevitably to its downfall and its replacement by communism. Since capitalist exploitation, as demonstrated by Marx, stems from the very essence of capitalist production relations, it follows on from this that the emancipation of the working class from exploitation cannot be achieved within the framework of the capitalist order.

The analysis Marx went on to provide of the new social order destined to replace capitalism contained astute ideas as to the main traits and laws of development peculiar to social relations under communism. Marx stressed the historical necessity of the transition to communism, the emergence of which presupposes a specific stage of development of material and cultural conditions. Communism, according to Marx, is a society that will be dominated by "free individuality, based on the universal development of the individuals and the subordination of their communal, social productivity, which is their social possession" (see this volume, p. 95).

The Manuscript of 1857-58 also contains significant ideas concerning the change in the character of labour in the communist society of the future. Marx pointed out that in conditions of collective production the individual's labour will, from the outset, appear as socialised labour; the contradiction between the social character of labour and the private form of the appropriation of its products which is intrinsic to capitalism will disappear. Underlining the fact that each worker will be interested in ensuring the most expedient, rational and systematic organisation of production, Marx formulated the law of time economy in communist society: "As with a single individual, the comprehensiveness of its [society's] development, its pleasures and its activities depends upon the saving of time. Ultimately, all economy is a matter of economy of time. Society must also allocate its time appropriately to achieve a production corresponding to its total needs, just as the individual must allocate his time correctly to acquire knowledge in suitable proportions or to satisfy the various demands on his activity. Economy of time, as well as the planned distribution of labour time over the various branches of production, therefore, remains the first economic law if communal production is taken as the basis. It becomes a law even to a much higher degree" (ibid., p. 109).

Unlike the Utopian socialists who dreamt of turning labour under communism from a hateful burden or curse, which it is for the vast majority of working people under capitalism, into a game

or simple diversion, Marx wrote of labour in communist society as a prime necessity of life, which "is also the most damnably difficult" (see this volume, p. 530). A high level of labour organisation and discipline, a harmonic balance between the personal interests of the producer and the interests of the whole of society, wide utilisation of the results of production, of all social wealth, to satisfy the material and cultural needs of society—such was Marx's vision of communist society.

* * *

In the course of publishing the present *Collected Works* it was decided to expand the economic section. In particular, the whole of the Economic Manuscript of 1861-63 is to be included. This has made necessary certain modifications in the original plan of the edition. In volumes 28 and 29 the series of Marx's economic works dating from 1857 to 1861 (with the exception of his notebooks of excerpts) appears in English in a complete and systematised form.

The translation of the Economic Manuscripts of 1857-58 and the accompanying manuscripts, published in volumes 28 and 29, is based on the text: *Marx-Engels Gesamtausgabe (MEGA)*, II, 1; II, 2, Berlin, 1976-1981.

The fact that these manuscripts were rough drafts explains many of their textual features: the absence of division into sections and paragraphs over long passages, the considerable number of digressions and incomplete sentences, and a certain unevenness of style. In many places Marx put down his ideas in a cursory, fragmentary, elliptic form. The greater part of the manuscripts was written in German but Marx often made use of foreign expressions and sometimes switched over completely to English or French. He quotes sometimes in German translation, sometimes in the language of the original and sometimes in more than one language at a time with switches in the middle. There are also word forms of Marx's own invention: English and French words used with German prefixes or endings, and terms made up of elements from different language, etc. When these manuscripts were translated into English all these factors had to be taken into account and unified so that Marx's ideas expressed in different languages could be rendered unequivocally and as precisely as possible.

The indispensable elucidations in certain parts of the manuscripts, insertions, made to complete unfinished or abbreviated sentences, quotations etc. are given in square brackets, as are the

numbers of Marx's notebooks (Roman numbers or Latin letters) and the page numbers in each notebook (Arabic numerals). In view of this the square brackets which are sometimes encountered in the actual manuscripts have been replaced with two oblique lines. If the text is not presented consecutively, but in a slightly rearranged way based on Marx's directions, this is pointed out in footnotes. The footnotes also point out words or passages crossed out by Marx and in certain instances reproduce the original versions.

Excessively long paragraphs have been broken up into smaller ones to make for easier reading. In certain cases where there occur particularly cumbersome phrases with incidental insertions, these insertions are given in the form of author's footnotes so as not to blur the main line of argument.

In this edition the manuscripts are printed in a new English translation. Foreign expressions including those in Greek and Latin are given in the original language. English quotations, phrases, expressions and individual words encountered in the original are set in small caps. Quotations from English sources are given according to the editions used by the author. In all cases the form of quoting used by Marx is respected. The language in which Marx quotes is indicated unless it is German.

The volume was compiled, the preface and notes written by Tatyana Vasilyeva and edited by Lev Golman and Vladimir Brushlinsky (Institute of Marxism-Leninism of the CC CPSU).

The name index and the index of periodicals were prepared by Galina Kostyukova; the index of quoted and mentioned literature and the subject index by Tatyana Vasilyeva (Institute of Marxism-Leninism of the CC CPSU).

The translation was made by Ernst Wangermann (Lawrence and Wishart) and edited by Natalia Karmanova, Margarita Lopukhina and Victor Schnittke (Progress Publishers). The volume was prepared for the press by Svetlana Gerasimenko (Progress Publishers).

Scientific editor for this volume was Larisa Miskievich (Institute of Marxism-Leninism of the CC CPSU).

KARL MARX

ECONOMIC WORKS

1857-1861

ECONOMIC MANUSCRIPTS

OF 1857-1858

(First Version of *Capital*)

BASTIAT AND CAREY¹

[III-1] BASTIAT, *HARMONIES ÉCONOMIQUES*,
2-ME ÉDITION, PARIS, 1851

AVANTPROPOS

The history of modern political economy ends with Ricardo and Sismondi: antithetical figures, of whom the one speaks English, the other French—just as it begins at the end of the 17th century with Petty and Boisguillebert. The later literature of political economy ends up either in eclectic, syncretic compendia, like e.g. the work of J. St. Mill,^a or in rather detailed elaboration of particular branches, like e.g. Tooke's *History of Prices* and in general the more recent English writings on circulation—the only branch in which really new discoveries have been made. For the writings on colonisation, landed property (in its different forms), population, etc., really go beyond the older writings only in respect of their greater abundance of material. There are some reproductions of old economic controversies for a larger public and some practical solutions for day-to-day problems, like the writings ON FREE TRADE AND PROTECTION. Finally, there are tendentious exaggerations of the classical theories, e.g. Chalmers exaggerates Malthus, Gülich exaggerates Sismondi, and, in their earlier writings, MacCulloch and Senior in some ways exaggerate Ricardo. This literature is altogether derivative, reproduction characterised by a greater refinement of form, a more extensive appropriation of the material, a greater emphasis, popularisation, synopsis and elaboration of detail. It lacks salient and decisive phases of development, confining itself on the one hand to stock-taking and on the other to adding detail on individual moments.

^a J. St. Mill, *Principles of Political Economy with some of their Applications to Social Philosophy*.—Ed.

The only apparent exceptions are the writings of Carey, the Yankee, and Bastiat, the Frenchman, the latter acknowledging that he bases himself on the former.^a Both understand that the opposition to political economy—socialism and communism—finds its theoretical assumptions in the works of classical political economy itself, especially in Ricardo, who must be considered as its most complete and final expression. Both therefore find it necessary to criticise the theoretical expression which bourgeois society has historically achieved in modern political economy as a misunderstanding and to demonstrate the harmony of the relations of production at the point where the classical economists naively analysed their antagonism. The entirely different, even contradictory national context from which their writings derive, nevertheless impels them in the same direction.

Carey is the only original economist among the North Americans. He belongs to a country in which bourgeois society is not developing on the basis of feudalism but in which it has originated from itself; in which it does not appear as the surviving product of the development of centuries but as the point of departure for a new development; in which the State, in contrast to all previous national forms, was from the start subordinated to bourgeois society, to its production, and could never claim to be an end in itself; in which bourgeois society itself, combining the productive forces of an old world with the immense natural terrain of a new one, is developing on an unprecedented scale and in unprecedented [conditions of] freedom of movement and far surpassing all previous achievements in [III-2] mastery of the forces of nature, and in which, finally, the contradictions of bourgeois society itself appear only as transient moments.

What could be more natural than that Carey should consider the relations of production in which this immense New World has grown so quickly, so astonishingly and so fortunately, as the eternal normal relations of social production and intercourse; that they should seem to him merely impeded and restricted in Europe and especially in England, which he really identifies with Europe, by the fetters inherited from the feudal period; that they should seem to him merely to have been regarded, depicted or generalised in a distorted, falsified way by the English economists in that they mistook accidental perversions of them for their immanent character?

^a F. Bastiat, *Harmonies économiques*, 2nd ed., Paris, 1851, p. 364.—Ed.

American relations as opposed to English: that is what his critique of the English theory of landed property, wages, population, class antagonisms, etc., boils down to. Bourgeois society does not exist in England in its pure form, corresponding to its concept, adequate to itself. How, then, could the English economists' ideas of bourgeois society be the true, unsullied expression of a reality which they did not know?

Carey ultimately identifies the disturbing effect of traditional influences not emerging from the womb of bourgeois society itself upon that society's *natural* relations with the influence of the State on bourgeois society, with State interference and State regulation. E. g. wages [according to Carey] rise naturally with the productivity of labour. If we find that reality does not correspond to this law, we have only to abstract from the influence of government, taxes, [State] monopolies, etc., whether in Hindustan or in England. Bourgeois relations considered in themselves, i.e. after 'taking away the influence of the State, will in fact always confirm the harmonious laws of bourgeois political economy. To what extent these State influences (PUBLIC DEBT, TAXES, etc.) themselves arise from bourgeois relations—and thus appear in e.g. England by no means as the results of feudalism but rather of its dissolution and suppression, and to what extent even in North America the power of the central government grows with the centralisation of capital—this, naturally, Carey does not investigate.

While Carey thus seeks to confront the English economists with the higher potency of bourgeois society in North America, Bastiat seeks to confront the French socialists with the lower potency of bourgeois society in France. You think [he says to the French socialists] that you are revolting against the laws of bourgeois society in a country in which these laws have never been allowed their full realisation! You only know these laws in their stunted French form, and take as their immanent form what is only their national French distortion. Look at England. Here in France the task is to free bourgeois society from the fetters which the State lays upon it. You wish to multiply these fetters. First develop bourgeois relations in their pure form, then we shall discuss the matter again. (Bastiat is right to this extent, that in France, because of its peculiar social structure, much is taken for socialism which in England is political economy.)

Carey, however, whose starting point is the American emancipation of bourgeois society from the State, ends with the demand for State interference, lest the pure development of bourgeois

relations be disturbed by external influences in the way in which this has actually happened in America. He is a PROTECTIONIST, while Bastiat is a FREE TRADER.

The harmony of economic laws appears in the whole world as disharmony, and the beginnings of this disharmony strike Carey even in the United States. How does one explain this strange phenomenon? Carey ascribes it to the destructive effect of England's striving for industrial monopoly on the world market. Originally, [economic] relations were distorted inside England by the false theories of its economists. Now, [III-3] as the dominating power on the world market, England distorts the harmony of economic relations in all countries of the world. This disharmony is real, not based merely on the subjective perception of economists.

What Russia is for Urquhart politically,^a England is for Carey economically. The harmony of economic relations is based, according to Carey, on the harmonious cooperation of town and country, of industry and agriculture. England, having destroyed this basic harmony within itself, destroys it everywhere on the world market through its competition, and is thus the destructive element of universal harmony. The only defence against this are protective tariffs—the forcible isolation of the nation from the destructive power of English large-scale industry. Therefore the State, branded at the outset as the only disturber of the “*harmonies économiques*”, becomes their last refuge.

On the one hand, Carey here once more articulates the specific national development of the United States, its opposition to and its competition with England. He does it in the naive form of proposing that the United States destroy the industrialism propagated by England by developing its own more quickly through protective tariffs. Apart from this naivety, the harmony of bourgeois relations of production ends with Carey in the total disharmony of these relations just where they appear upon the most magnificent scene, the world market, and in their most magnificent development, as the relations of producing nations. All the relations which appear to him harmonious within particular national boundaries, or also in the abstract form of general relations of bourgeois society—the concentration of capital, division of labour, wage labour, etc.—appear to him as disharmonious where they show themselves in their most developed form—in their world market form—as the internal

^a An allusion to Urquhart's anti-Russia sentiments.—*Ed.*

relations which produce England's domination in the world market and which, as destructive influences, are the result of this domination.

It is harmonious, if, within a country, patriarchal production gives way to industrial production, and the process of dissolution accompanying this development is conceived only in its positive aspect. But it becomes disharmonious, if England's large-scale industry dissolves the patriarchal or petty-bourgeois or other primitive forms of another country's national production. The concentration of capital within a country and the dissolving effect of this concentration present themselves to him only in their positive aspect. But the monopoly enjoyed by concentrated English capital and its dissolving effects on the smaller national capitals of other countries, are disharmonious. Carey has not grasped that these world market disharmonies are only the ultimate adequate expression of the disharmonies which have become fixed in the economic categories as abstract relations or have a local existence on the smallest scale.

No wonder, then, that on the other side he forgets the positive content of these processes of dissolution—the only aspect which he recognises of the economic categories in their abstract form or of the real relations within particular countries from which they are abstracted—in their complete world market form. Hence, where he is confronted by economic relations in their truth, i.e. in their universal reality, he collapses from his systematic optimism into a denunciatory and irritated pessimism. This contradiction constitutes the originality of his writings and gives them their significance. He is American as much in his assertion of the harmony within bourgeois society as in his assertion of the disharmony of the same relations in their world market form.

In Bastiat nothing of all this. With him, the harmony of these relations belongs to another world which lies beyond the borders of France, in England and America. It is merely the imagined, ideal form of the un-French Anglo-American relations, not the real form which actually confronts him on his own territory. Hence, while in Bastiat harmony does not in any way arise from a wealth of living observation, but is rather the stilted product of a thin and strained, contradictory reflection, the only aspect of reality is his demand that the French state should renounce its economic limits.

Carey sees the contradictions inherent in [bourgeois] economic relations as soon as they appear as *English* relations on the world

market. Bastiat, who merely imagines the harmony, begins to see its realisation only where France ends and where all the nationally separated component parts of bourgeois society compete with each other freed from State supervision. This ultimate harmony of his—and the premiss of all his earlier imagined ones—is, however, itself a mere postulate which is supposed to be realised by free trade legislation.

[III-4] Thus, if Carey, quite apart from the scientific value of his researches, has at least the merit of articulating in abstract form the magnitude of American relations and of doing so in contradistinction to those of the Old World, the only real background to Bastiat is the pettiness of French relations, whose long ears stick out of his harmonies everywhere. But this is a superfluous merit, because the relations of so old a country are sufficiently known and least of all require to be made known by such a negative circuitous route. Carey is therefore rich in so to speak *bona fide* researches into such areas of political economy as credit, rent, etc. Bastiat is only occupied with paraphrases glossing over the contradictory result of his researches; *l'hypocrisie du contentement*.

Carey's generality is Yankee universality. For him France and China are equally near. He is at all times the man who lives both on the Atlantic and the Pacific coast. Bastiat's generality is a turning away from all countries. Carey, as a true Yankee, absorbs from all directions the abundant material which the Old World offers him, not indeed to cognise the immanent soul of this material and thus to concede to it its right to its own proper life, but to work it up as lifeless pieces of evidence, as indifferent matter, for his own purposes, i.e. for the propositions derived from his Yankee point of view. Hence his traversing of all countries, his mountains of uncritical statistics, his encyclopaedic reading. Bastiat on the other hand produces fantastic history: his abstraction takes the form now of logical reasoning, now of notional events which never actually occurred anywhere. Just as the theologian discusses sin now as a law of human nature, now as the history of man's fall.

Bastiat and Carey are therefore equally unhistorical and anti-historical. But the unhistorical element in Carey is the contemporary historical principle of North America, while the unhistorical element in Bastiat is only a reminiscence of the 18th-century French mode of generalisation. Carey is therefore formless and diffuse, Bastiat affected and formally logical. The utmost that Bastiat achieves are commonplaces paradoxically expressed, polished *en facettes*. Carey's work is

prefaced by a few general theses in axiomatic form. These are followed by his unshaped material—compilation serving as verification—which is not in any way worked up to sustain his theses. In Bastiat, the only material—apart from a few local examples or some ordinary English phenomena fantastically distorted—amounts to no more than the general theses of the economists.

The chief counterpart to Carey is Ricardo, in short the modern English economists; to Bastiat, the French socialists.

[III-5] XIV. DES SALAIRES²

The following are Bastiat's main propositions:

All men strive for fixity of income, *FIXED REVENUE*.

// Truly French example: (1) Everyone wants to be an official or wants his son to become an official (see p. 371). //

Wages are a fixed form of remuneration (p. 376), and thus a highly perfected form of association, in the original form of which the "aleatory element" predominates in so far as "all members of the association" are subject "to all the chances of the enterprise"^a [p. 380].

// If capital assumes the risks by itself, the remuneration of labour becomes fixed and is called *wages*. If labour chooses to assume the risks for better or worse, the remuneration of capital detaches itself and becomes fixed as *interest* (p. 382); see further on this juxtaposition pp. 382, 383. //

However, if originally the aleatory element predominates in the worker's condition, wage stability is not yet sufficiently secured. There is an

"intermediate stage which separates the aleatory element from stability" [p. 384].

This final stage is reached by

"saving up, in days of work, the means to satisfy one's needs in days of old age and sickness" (p. 388).

The final stage develops through the "mutual aid societies" (1.c.) and in the last instance through "the workers' *pension fund*"³ (p. 393).

(Just as man began with the desire to become an official, he ends with the satisfaction of drawing a pension.)

ad 1. Suppose everything Bastiat says about the fixity of wages is correct. Then subsuming wages under *FIXED REVENUES* still would not

^a Here and further in this paragraph Marx quotes in French.—*Ed.*

reveal to us the *real character* of wages, their characteristic determinateness. One feature of wages—one which they have in common with other sources of income—would be emphasised; nothing more. True, this would be of some use for the advocate who wished to plead the advantages of the wage system. But it would still be of no use to the economist who wanted to understand the distinctive character of this relation in its totality. Establishing a one-sided definition of a relation, of an economic form, and exalting it in opposition to the converse definition—this common ploy of advocates and apologists is the hallmark of Bastiat's reasoning.

So let us assume instead of wages: fixity of income. Is not fixity of income a good thing? Does not everyone like to be able to count on an assured income? Especially every philistine, petty-minded Frenchman? *L'homme toujours besogneux?*^a Serfdom has been defended on this ground, and perhaps with greater justification.

The contrary could also be asserted and has been asserted. Let us assume that wages mean non-fixity, i.e. advancement beyond a certain point. Who does not like to get ahead instead of standing still? Can a relationship be bad which makes possible a bourgeois *progressus in infinitum*? Of course, Bastiat himself argues elsewhere that wages are non-fixity. How else than by non-fixity, by fluctuations, could it become possible for the worker to stop working and to become a capitalist, as Bastiat wants him to?

Therefore wages are good because they are fixity; wages are also good because they are non-fixity. They are good because they are neither the one nor the other, but at the same time are both the one and the other. What relationship is not good, when it is reduced to a one-sided definition, which is then treated as position, not as negation? All reasoning chatter, one way or another, all apologetics, all philistine sophistry is based on this type of abstraction.

After this general preliminary consideration, we come to Bastiat's actual construction.

(Let us note in passing just one more point. His *métayer*^b of Landes [p. 388], the poor fellow for whom the misfortune of the wage labourer is compounded by the bad luck of the small capitalist, might indeed consider himself fortunate if he were put on fixed wages.)

^a The man forever in need of something?—*Ed.*

^b Sharecropper.—*Ed.*

Proudhon's *histoire descriptive* and *philosophique*⁴ does not attain the level of that of his opponent Bastiat. The original form of association, in which all *associés* share in all the risks of chance, is succeeded by a higher [III-6] form of association freely entered into by both sides, in which the remuneration of the worker is fixed. We pass over the ingenuity which first assumes a capitalist on the one side and a worker on the other, in order afterwards to derive, from the agreement between the two, the relationship between capital and wage labour.

The form of association in which the worker is exposed to all the risks of business—in which all producers are equally exposed to these risks—and which immediately precedes the wage system, in which the remuneration of labour attains fixity and becomes stable, precedes it as thesis precedes antithesis—is, as Bastiat informs us, the state in which fishing, hunting and pastoralism are the dominant forms of production and society. First the nomadic fisherman, the hunter and the herdsman—and then the wage labourer. Where and when did this *historical* transition from the half-savage to the modern condition take place? If at all, in the columns of *Charivari*.

In real history, wage labour arises from the disintegration of slavery and serfdom—or from the decay of communal property as among the Oriental and Slav peoples—and, in its adequate, epoch-making form affecting the entire social existence of labour, from the decline of the guild economy, of the feudal estates system, of labour services and income in kind, of industry carried on as a rural sideline, of small-scale feudal agriculture, etc. In all these really historical transitions, wage labour appears as the dissolution, as the destruction of relations in which labour was fixed in all respects, in respect of income, content, locality, scope, etc. *Hence as negation of the fixity of labour and its remuneration.* The direct transition from the fetish of the African to Voltaire's *être suprême*,^{a5} or from the hunting gear of a North American savage to the capital of the Bank of England, is not as absurdly anti-historical as is Bastiat's transition from the fisherman to the wage labourer.

(In all these developments, moreover, there is no evidence of changes coming about as a result of voluntary mutual agreements.)

On a level with this historical construction—in which Bastiat deceives himself by imagining his shallow abstraction in the

^a Supreme being.—*Ed.*

form of an event—is the synthesis in which the English FRIENDLY SOCIETIES and the savings banks are presented as the last word in the wage system and as the transcendence of all social contradictions.

Historically, as we have seen, non-fixity is the character of the wage system: the opposite of Bastiat's construction. But how could he possibly have arrived at the construction of fixity as the all-compensating characteristic of wages? And what prompted him to attempt an historical presentation of the wage system in this specific form as a higher form of the remuneration of labour, higher than that in other forms of society or association?

All the economists, whenever they discuss the prevailing relationship of capital and wage labour, of profit and wages, and wish to prove to the worker that he has no right to share in the opportunities of gain and in general to reconcile him to his subordinate role vis-à-vis the capitalist, put great stress on the fact that the worker, in contrast to the capitalist, enjoys a certain fixity of income more or less independent of the great ADVENTURES of capital. Just as Don Quixote comforts Sancho Panza with the thought that while he does indeed get all the stick, there is at least no need for him to be brave. In other words, Bastiat transforms a quality which the economists attribute to wages as opposed to profit, into a quality of wage labour as opposed to earlier forms of labour and as a progressive development from the remuneration of labour in these earlier relations. A commonplace put into the prevailing relationship which consoles one side of the relationship relative to the other, is taken out of this relationship by Mr. Bastiat and made into the historical basis of its origin.

The economists declare that in the relationship of wages to profit, of wage labour to capital, wages have the advantage of fixity.

Mr. Bastiat declares that fixity, i.e. one of the aspects of the relationship of wages to profit, is the historical foundation from which wage labour emerged (or that fixity is the advantage of wages, not as opposed to profit, but as opposed to the earlier forms of the remuneration of labour), hence also the historical foundation of profit, hence that of the whole relation.

In this way, a commonplace concerning one aspect of the relationship of wages to profit is magically transformed in Bastiat's treatment into the historical foundation of this entire relation. This happens because he is constantly preoccupied with the thought of socialism, which is then everywhere dreamed up as the

first form of association. This an example of how important a form the apologetic commonplaces which accompany the arguments in economic writings assume in Bastiat's hands.

[III-7] To return to the economists. In what does this fixity of wages consist? Are wages unalterably fixed? This would completely contradict the law of demand and supply, which is the basis of wage determination. No economist denies the fluctuation of wages, their rise and fall. Or are wages independent of crises? Or of the machines which render wage labour superfluous? Or of the divisions of labour which displace it? It would be heterodox to assert all this, and no one does so.

What is meant is that, over a period of time, wages roughly keep to an average level, i.e. there is a minimum wage for the whole [working] class, despite Bastiat's great detestation of the idea, and there is a certain average continuity of labour, e.g. wages may continue to be paid even in cases where profit declines or completely disappears for a time. Now, what does this mean other than that, assuming wage labour as the dominant form of labour and the basis of production, the working class exists by wages and the individual worker possesses on average the fixity of working for wages? In other words, a tautology. Where capital and wage labour is the dominant relation of production, average continuity of wage labour exists; to that extent there is fixity of wages for the worker. Where wage labour exists, it exists. And this is what Bastiat regards as the attribute of wage labour which compensates for everything else.

To state, moreover, that in the form of society in which capital has developed, social production is generally more regular, more continuous, more varied—hence also the income of those engaged in production “more fixed”—than where capital, i.e. production, has not been developed to this level, is another tautology which is inherent in the very concept of capital and of production based on capital. In other words: who denies that the general existence of wage labour presupposes a higher development of the productive forces than that which existed in the stages preceding wage labour? And how could it occur to the socialists to put forward greater demands, if they did not assume this higher development of the social productive forces brought about by wage labour? The latter is indeed the presupposition of their demands.

Note. The first form in which wages generally appear is military pay, which emerges with the decline of national armies and civic militias. First the citizens themselves are paid [for military service].

This is soon followed by mercenaries taking their place, who are no longer citizens.

2) (*It is impossible to pursue this NONSENSE any further. WE, THEREFORE, DROP MR. BASTIAT.*) [III-7]

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[M-1] A) INTRODUCTION⁶

I. PRODUCTION, CONSUMPTION, DISTRIBUTION, EXCHANGE (CIRCULATION)⁷

I. PRODUCTION

(α) To begin with, the subject to be discussed is *material production*.

Individuals producing in a society—hence the socially determined production by individuals is of course the point of departure. The individual and isolated hunter and fisherman, who serves Adam Smith and Ricardo as a starting point,^a is one of the unimaginative fantasies of the 18th century. Robinsonades which, contrary to the fancies of the historians of civilisation, by no means signify simply a reaction against over-refinement and a reversion to a misconceived natural life. No more is Rousseau's *contrat social*,⁸ which by means of a contract establishes a relationship and connection between subjects that are by nature INDEPENDENT, based on this kind of naturalism. This is an illusion and nothing but the aesthetic illusion of the small and big Robinsonades. It is, rather, the anticipation of "bourgeois society",⁹ which began to evolve in the 16th century and was making giant strides towards maturity in the 18th. In this society of free competition the individual seems to be rid of the natural, etc., ties which in earlier historical epochs made him an appurtenance of a particular, limited aggregation of human beings. The prophets of the 18th century, on whose shoulders Smith and Ricardo were still standing completely, envisaged this 18th-century individual—a product of the dissolution of the feudal forms of society on the one hand, and of the new productive forces evolved since the 16th century on the other—as an ideal whose existence belonged to the past. They saw

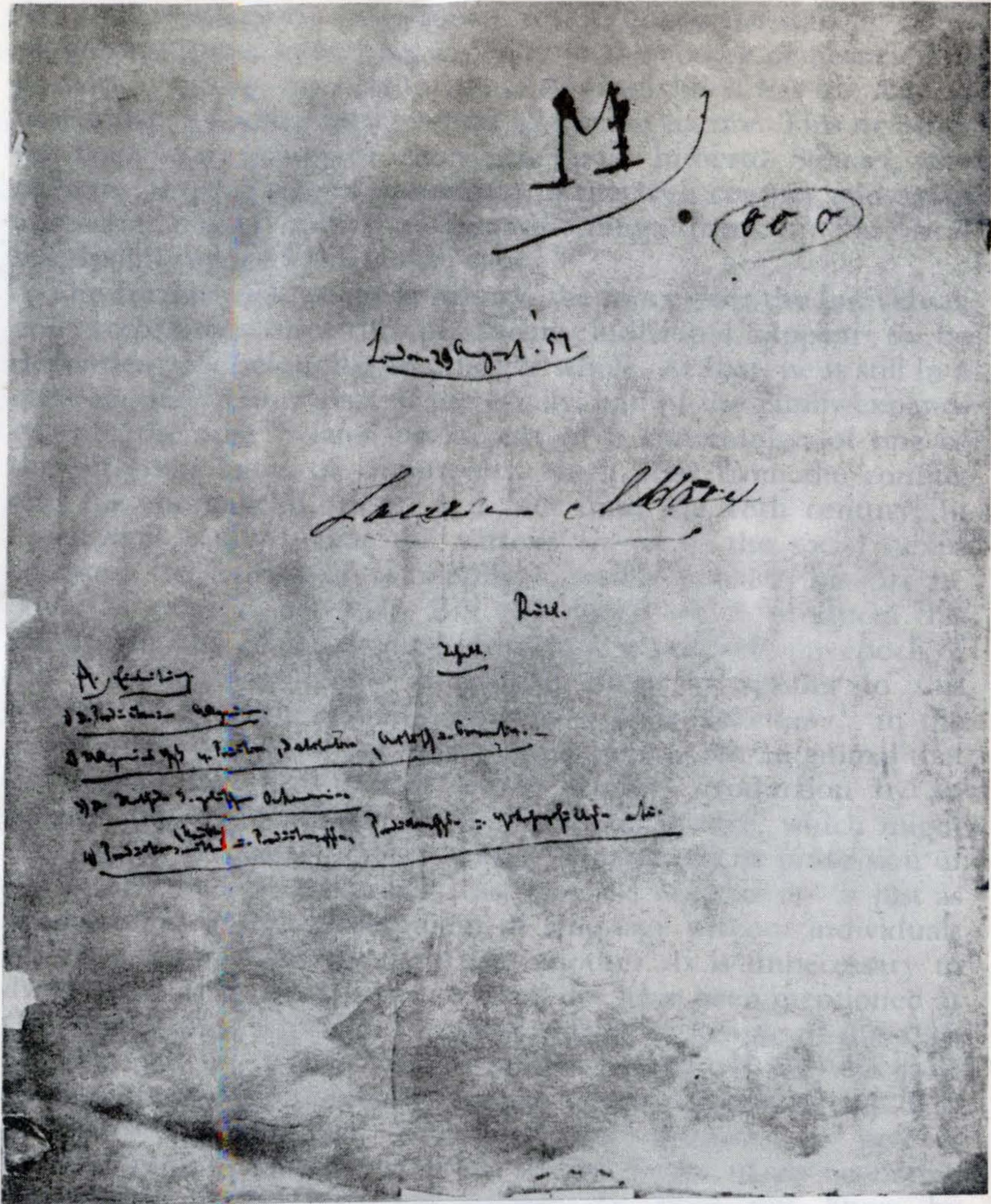
^a See the Introduction to A. Smith's *An Inquiry into the Nature and Causes of the Wealth of Nations* (Vol. I, London, 1835, p. 2) and Section III, Chapter I of D. Ricardo's *On the Principles of Political Economy, and Taxation* (3rd ed., London, 1821, pp. 16-23).—Ed.

this individual not as an historical result, but as the starting point of history; not as something evolving in the course of history, but posited by nature, because for them this individual was the natural individual, according to their idea of human nature. This delusion has been characteristic of every new epoch hitherto. Steuart, who in many respects was in opposition to the 18th century and as an aristocrat tended rather to regard things from an historical standpoint, avoided this naive view.

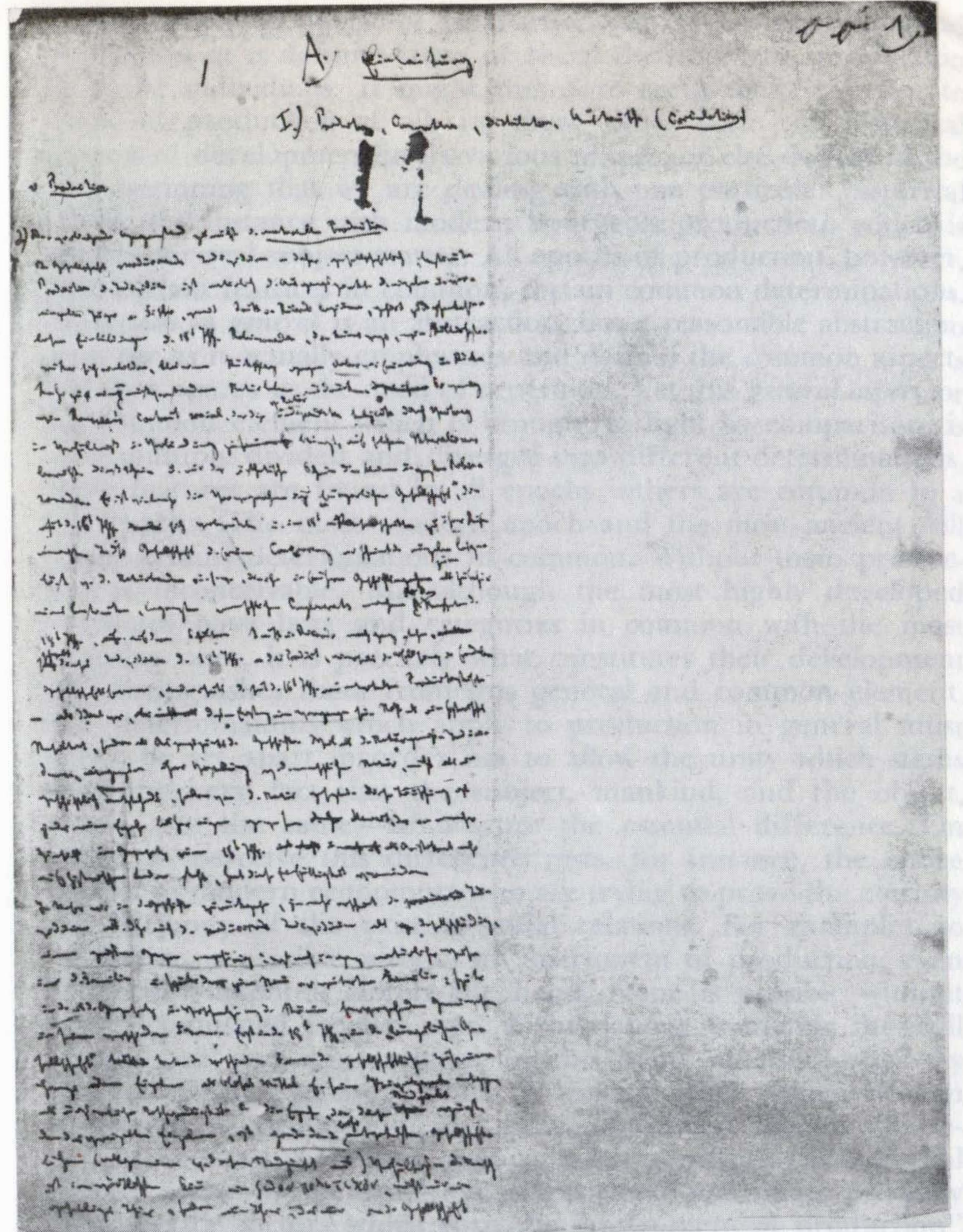
The further back we go in history, the more does the individual, and accordingly also the producing individual, appear to be dependent and belonging to a larger whole. At first, he is still in a quite natural manner part of the family, and of the family expanded into the tribe¹⁰; later he is part of a community, of one of the different forms of community which arise from the conflict and the merging of tribes. It is not until the 18th century, in "bourgeois society", that the various forms of the social nexus confront the individual as merely a means towards his private ends, as external necessity. But the epoch which produces this standpoint, that of the isolated individual, is precisely the epoch of the hitherto most highly developed social (according to this standpoint, general) relations. Man is a ζῷον πολιτικόν¹¹ in the most literal sense: he is not only a social animal, but an animal that can isolate itself [M-2] only within society. Production by an isolated individual outside society—something rare, which might occur when a civilised person already dynamically in possession of the social forces is accidentally cast into the wilderness—is just as preposterous as the development of language without individuals who live *together* and speak to one another. It is unnecessary to dwell upon this point further. It need not have been mentioned at all if this inanity, which was understandable in people of the 18th century, had not been in all seriousness introduced into the most modern [political] economy by Bastiat, Carey, Proudhon,^a etc. It is of course pleasant for Proudhon, for instance, to give a historico-philosophical explanation of the origin of an economic relationship whose historical genesis he does not know by indulging in a bit of mythology asserting that Adam or Prometheus hit upon the ready-made idea, which was then put into practice,^b etc. Nothing is more tedious and dull than the fantasies of *locus communis*.

^a See this volume, pp. 10, 13.—*Ed.*

^b P. J. Proudhon, *Système des contradictions économiques, ou Philosophie de la misère*, Vol. I, Ch. 2, § 1, Paris, 1846, pp. 77-83.—*Ed.*



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...produced labor" into capital. The whole history of the ... production therefore appears, for instance in Carey, as ... nations maliciously brought about by the governments. ... no production in general, there is also no general ... Production is always a particular branch of produc- ... agriculture, cattle-breeding, manufacture, etc.--or it is

Thus when we speak of production, we always have in mind production at a definite stage of social development, production by social individuals. It might therefore seem that, in order to speak of production at all, we must either trace the historical process of development in its various phases, or else declare at the very beginning that we are dealing with one particular historical epoch, for instance with modern bourgeois production, which is indeed our real subject-matter. All epochs of production, however, have certain features in common, certain common determinations. *Production in general* is an abstraction, but a reasonable abstraction in so far as it actually emphasises and defines the common aspects and thus spares us the need of repetition. Yet this *general aspect*, or the common element which is brought to light by comparison, is itself multiply divided and diverges into different determinations. Some features are found in all epochs, others are common to a few epochs. The most modern epoch and the most ancient will have [certain] determinations in common. Without them production is inconceivable. But although the most highly developed languages have laws and categories in common with the most primitive ones, it is precisely what constitutes their development that distinguishes them from this general and common element. The determinations which apply to production in general must rather be set apart in order not to allow the unity which stems from the very fact that the subject, mankind, and the object, nature, are the same—to obscure the essential difference. On failure to perceive this difference rests, for instance, the entire wisdom of modern economists who are trying to prove the eternity and harmony of the existing social relations. For example, no production is possible without an instrument of production, even if this instrument is simply the hand. None is possible without past, accumulated labour, even if this labour is merely the skill accumulated and concentrated in the hand of the savage by repeated [M-3] exercise. Capital is among other things also an instrument of production, also past, objectified labour. Consequently [modern economists say] capital is a universal and eternal relation given by nature—that is, provided one omits precisely those specific factors which turn the “instrument of production” or “accumulated labour” into capital. The whole history of the relations of production therefore appears, for instance in Carey, as a falsification maliciously brought about by the governments.

If there is no production in general, there is also no general production. Production is always a *particular* branch of production—e.g., agriculture, cattle-breeding, manufacture, etc.—or it is

the *totality* [of production]. Political economy, however, is not technology. The relation of the general determinations of production at a given social stage to the particular forms of production is to be set forth elsewhere (later).

Finally, production is not only particular production, but it is invariably a definite social body, a social subject, that is active in a wider or narrower totality of branches of production. The relation of the scientific presentation to the actual movement does not yet belong here either. Production in general. Particular branches of production. Totality of production.

It is fashionable to preface economic works with a general part—and it is just this that appears under the heading “Production” (see for instance J. St. Mill^a)—which deals with the *general conditions* of all production.

This general part comprises or purports to comprise:

1. The conditions without which production is impossible. This means in fact only that the essential moments of all production are indicated. But actually this boils down, as we shall see, to a few very simple definitions, which are expanded into trivial tautologies.

2. The conditions which promote production to a larger or smaller degree, as in the case of Adam Smith’s progressive and stagnant state of society.^b In Smith’s work this [proposition] has its value as an *aperçu*, but to raise it to scientific significance an inquiry into the *degree of productivity* at various periods in the development of individual nations would be necessary. Such an inquiry lies outside the actual framework of the subject, yet those aspects which are relevant to it must be dealt with in discussing competition, accumulation, etc. The answer in its general form amounts to the general statement that an industrial nation is at the height of its production when it is at all at the height of its historical development. IN FACT, a nation is at the height of its industrial development so long as gaining, not gain, is its principal aim. In this respect the Yankees are ahead of the English. Or else that for example certain racial characteristics, climates, natural conditions, such as maritime position, fertility of the soil, etc., are more favourable to production than others. This again amounts to the tautology that wealth is the easier to produce the more—subjectively and objectively—its elements are available.

^a J. St. Mill, *Principles of Political Economy with some of their Applications to Social Philosophy*, Vol. I, London, 1848, pp. 29-236.—Ed.

^b A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. I, London, 1835, pp. 171-209 and 220-21; Vol. II, London, 1836, pp. 168-74.—Ed.

[M-4] But all that is not really what the economists are concerned with in this general part. It is rather—see for example Mill^a—that production, as distinct from distribution, etc., is to be presented as governed by eternal natural laws independent of history, and then *bourgeois* relations are quietly substituted as irrefutable natural laws of society *in abstracto*. This is the more or less conscious purpose of the whole procedure. As regards distribution, however, men are said to have indeed indulged in all sorts of arbitrary action. Quite apart from the crude separation of production and distribution and from their real relation, it should be obvious from the outset that, however dissimilar [the mode of] distribution at the various stages of society may be, it must be possible, just as in the case of production, to [single out] common determinations, and it must be likewise possible to confuse or efface all historical differences in *general human* laws. For example, the slave, the serf, the wage worker, all receive an amount of food enabling them to exist as a slave, serf or wage worker. The conqueror who lives by tribute, or the official who lives by taxes, or the landowner who lives by rent, or the monk who lives by alms, or the Levite who lives by tithes, all receive a portion of the social product which is determined by laws different from those that determine the portion of the slave, etc. The two principal items which all economists include in this section are: (1) property and (2) safeguarding of property by the judiciary, police, etc.

To this, only a very brief reply is needed:

Regarding (1): All production is appropriation of nature by the individual within and by means of a definite form of society. In this sense it is a tautology to say that property (appropriation) is a condition of production. But it is ridiculous to make a leap from this to a definite form of property, e.g. private property (this is moreover an antithetical form, which presupposes *non-property* as a condition, too). History shows, on the contrary, that common property (e.g., among the Indians, Slavs, ancient Celts, etc.) is the earlier form, a form which in the shape of communal property continues to play a significant role for a long time. The question whether wealth develops better under this or under that form of property is not yet under discussion here. But it is tautological to say that where no form of property exists there can be no production and hence no society either. Appropriation which appropriates nothing is a *contradictio in subjecto*.

Regarding (2): Safeguarding of what has been acquired, etc. If

^a J. St. Mill, *op. cit.*, pp. 25-26 and 239-40.—Ed.

these trivialities are reduced to their real content, they say more than their preachers realise, namely, that each form of production produces its own legal relations, forms of government, etc. The crudity and lack of comprehension lies precisely in that organically [M-5] coherent factors are brought into haphazard relation with one another, i.e., into a merely speculative connection. The bourgeois economists only have in view that production proceeds more smoothly with modern police than, e.g., under club-law. They forget, however, that club-law too is law, and that the law of the stronger survives, in a different form, even in their "constitutional State".

When the social conditions corresponding to a particular stage of production are just emerging or are already in a state of dissolution, disturbances naturally occur in production, although these may be of varying degree and varying effect.

To recapitulate: there are determinations which are common to all stages of production and are fixed by reasoning as general; the so-called *general conditions* of all production, however, are nothing but these abstract moments, which do not define any of the actual historical stages of production.

2. THE GENERAL RELATION OF PRODUCTION TO DISTRIBUTION, EXCHANGE AND CONSUMPTION

Before starting upon a further analysis of production it is necessary to consider the various rubrics which economists place alongside it.

The quite obvious conception is this: in production members of society appropriate (produce, fashion) natural products in accordance with human needs; distribution determines the proportion in which the individual shares in these products; exchange supplies him with the particular products into which he wants to convert the portion accruing to him through distribution; finally, in consumption the products become objects of use, of appropriation by individuals. Production creates articles corresponding to needs; distribution allocates them according to social laws; exchange in its turn distributes what has already been allocated, according to the individual needs; finally, in consumption the product drops out of this social movement, becomes the direct object and servant of an individual need, which its use satisfies. Production thus appears as the point of departure, consumption as the final point, distribution and exchange as the middle, which has a dual aspect since distribution is determined as

actuated by society, and exchange as actuated by individuals. In production the person acquires an objective aspect, in the person the object acquires a subjective aspect; in distribution, society in the form of general, dominating determinations takes over the mediation between production and consumption; in exchange, they are mediated by the chance determinateness of the individual.

Distribution determines the proportion (the quantity) of the products accruing to the individuals; exchange determines the products in which the individual claims the share [M-6] assigned to him by distribution.

Production, distribution, exchange and consumption thus form a proper syllogism; production represents the general, distribution and exchange the particular, and consumption the individual case which sums up the whole. This is indeed a connection, but a superficial one. Production [according to the political economists] is determined by general laws of nature, distribution by social chance, and it may therefore exert a more or less stimulating influence on production; exchange lies between the two as a formal social movement, and consumption, as the concluding act, which is regarded not only as the ultimate aim but as the ultimate purpose, falls properly outside the sphere of [political] economy, except in so far as it in turn reacts on the point of departure thus once again initiating the whole process.

The opponents of the political economists, whether within or without the latter's domain, who accuse them of crudely separating interconnected elements, either argue from the same standpoint or from an inferior one. Nothing is more common than the reproach that the political economists regard production too much as an end in itself. Distribution, they say, is equally important. This reproach is based on the economic conception that distribution is an independent sphere in its own right alongside production. Or [the reproach] that the different moments are not considered in their unity. As though this separation had not forced its way from real life into the textbooks, but, on the contrary, from the textbooks into real life, and as though it were a question of a dialectical reconciliation of concepts and not of comprehending actually existing relations.

(a) [Consumption and Production]

Production is directly also consumption. Two-fold consumption, subjective and objective: [firstly,] the individual, who develops his

capacities while producing, expends them as well, using them up in the act of production, just as in natural procreation vital energy is consumed. Secondly, consumption of the means of production, which are used and expended and in part (as, for instance, in combustion) are broken down into the basic elements. Similarly consumption of raw material, which does not retain its natural form and condition; these are, rather, extinguished. The act of production itself is thus in all its moments also an act of consumption. But the economists concede this. Production as directly identical with consumption, consumption as directly coinciding with production, is called by them *productive consumption*. This identity of production and consumption amounts to Spinoza's proposition: *determinatio est negatio*.¹²

[M-7] But this determination of productive consumption is only advanced in order to separate consumption that is identical with production from consumption proper, which is regarded rather as the destructive antithesis of production. Let us therefore consider consumption proper.

Consumption is directly also production, just as in nature consumption of elements and chemical substances is production of a plant. It is obvious that man produces his own body, e.g., through nutrition, a form of consumption. But the same applies to any other kind of consumption which in one way or another produces man in some aspect. Consumptive production. But, says [political] economy, this [type of] production, which is identical with consumption, is a second [type, one] arising from the destruction of the first product. In the first [type] the producer objectifies himself, in the second the object created by him personifies itself. Hence this consumptive production—although it represents a direct unity of production and consumption—is essentially different from production proper. The direct unity, in which production coincides with consumption and consumption with production, allows their direct duality to persist.

Production is thus directly consumption, consumption is directly production. Each is immediately its opposite. At the same time, however, a mediating movement takes place between the two. Production mediates consumption, for which it provides the material; consumption without production would have no object. But consumption also mediates production, by providing for the products the subject for whom they are products. The product only attains its final FINISH in consumption. A railway on which no one travels, which is therefore not used up, not consumed, is only

a railway δυνάμει,^a not in reality. Without production there is no consumption, but without consumption there is no production either, since in that case production would be useless.

Consumption produces production in two ways.

(1) In that only through consumption does a product become a real product. For example, a dress becomes really a dress only by being worn, a house which is not lived in is IN FACT not really a house; in other words, a product as distinct from a mere natural object manifests itself as a product, *becomes* a product, only in consumption. It is only consumption that, by dissolving the product, gives it the FINISHING STROKE, for [the result of] production is a product not merely as objectified activity, but only as an object for the active subject.

(2) In that consumption creates the need for *new* production, and therefore the ideal, intrinsically actuating reason for production, which is the presupposition of production. Consumption furnishes the urge to produce, and also creates the object which determines the purpose of production. If it is evident that production supplies the object of consumption externally, it is [M-8] equally evident that consumption *posits* the object of production *ideally*, as an internal image, a need, an urge and a purpose. Consumption furnishes the objects of production in a form that is still subjective. No production without need. But consumption reproduces the need.

This is matched on the side of production,

(1) by the fact that it supplies the material, the object of consumption. Consumption without an object is no consumption; in this respect, therefore, production creates, produces consumption.

(2) But it is not only the object that production creates for consumption. It also gives consumption its definite form, its character, its FINISH. Just as consumption gave the product its FINISH as a product, so production gives the FINISH to consumption. *For one thing*, the object is not an object in general, but a definite object which must be consumed in a definite way, a way mediated by production itself. Hunger is hunger; but hunger that is satisfied by cooked meat eaten with knife and fork differs from hunger that devours raw meat with the help of hands, nails and teeth. Production thus produces not only the object of consumption but also the mode of consumption, not only objectively but also subjectively. Production therefore creates the consumer.

(3) Production not only provides the material to satisfy a need,

^a Potentially.—Ed.

but it also provides a need for the material. When consumption emerges from its original natural crudeness and immediacy—and its remaining in that state would be due to the fact that production was still caught in natural crudeness—then it is itself, as an urge, mediated by the object. The need felt for the object is created by the perception of the object. An *objet d'art*—just like any other product—creates a public that has artistic taste and is capable of enjoying beauty. Production therefore produces not only an object for the subject, but also a subject for the object.

Hence production produces consumption: (1) by creating the material for consumption; (2) by determining the mode of consumption; (3) by creating in the consumer a need for the products which it first posits as objects. It therefore produces the object of consumption, the mode of consumption and the urge to consume. Similarly, consumption produces the *predisposition* of the producer by soliciting him as a purpose-determining need.

The identity of consumption and production thus appears three-fold:

(1) *Direct identity*: production is consumption; consumption is production. Consumptive production. Productive consumption. Economists call both [M-9] productive consumption, but they still make a distinction. The former figures as reproduction, the latter as productive consumption. All investigations into the former are concerned with productive and unproductive labour, those into the latter with productive and non-productive consumption.

(2) Each appears as a means of the other, is mediated by it; this is expressed as their mutual dependence; a movement through which they are brought into mutual relation and appear to be indispensable to each other, but nevertheless remain external to each other. Production creates the material as the external object for consumption, consumption creates the need as the internal object, the purpose of production. No consumption without production; no production without consumption. [This proposition] appears in political economy in many forms.

(3) Production is not only directly consumption, and consumption directly production; nor is production only a means of consumption and consumption the purpose of production, in the sense that each provides the other with its object, with production supplying the external object of consumption, and consumption the notional object of production. Each of them is not only directly the other, nor does it merely mediate the other, but each of the two, by the fact of its taking place, creates the other, creates itself as the other. It is only consumption that consummates the act

of production, since consumption completes the product as a product by dissolving it, by consuming its independent material form. Moreover, by the need for repetition consumption raises the abilities evolved during the first act of production to a skill. Consumption is therefore the concluding act which not only turns the product into a product, but also turns the producer into a producer. Production, on the other hand, produces consumption by creating the definite mode of consumption, and also by creating the incentive to consumption, the very capacity to consume, as a need. The last [kind of] identity, defined in point 3, has many times been explained by economists when discussing the relation of demand and supply, of objects and needs, of needs created by society and natural needs.

After this, nothing is simpler for a Hegelian than to posit production and consumption as identical. And this has been done not only by socialist belletrists¹³ but also by prosaic economists, such as Say, in declaring that if one considers a nation—or mankind *in abstracto*—then its production is its consumption.^a Storch has shown that this proposition of Say's is wrong,^b since a nation, for instance, does not consume its entire product, but also creates means of production, etc., fixed capital, etc.¹⁴ Moreover, to consider society as a single subject is wrong; a speculative approach. With regard to one subject, production and consumption appear as moments of a single act. One must only [M-9] emphasise the important point here that production and consumption, if considered as activities of one subject or of many individuals, appear in any case as moments of a process in which production is the actual point of departure and hence also the dominant moment. Consumption as a necessity, as a need, is itself an intrinsic moment of productive activity. The latter, however, is the point where the realisation begins and thus also its dominant moment, the act epitomising the entire process. An individual produces an object and by consuming it returns again to himself; he returns however as a productive individual and an individual reproducing himself. Consumption thus appears as a moment of production.

But in society, the relation of the producer to the product, once it has been completed, is extrinsic, and the return of the product

^a J. B. Say, *Traité d'économie politique*, 4th ed., Vol. II, Paris, 1819, pp. 72 and 74.—*Ed.*

^b H. Storch, *Considérations sur la nature du revenu national*, Paris, 1824, pp. 126-59.—*Ed.*

to the subject depends on his relations to other individuals. The product does not immediately come into his possession. Nor is its direct appropriation his aim, if he produces in society. *Distribution*, which on the basis of social laws determines the individual's share in the world of products, intervenes between the producer and the products, i.e. between production and consumption.

Is distribution, therefore, an independent sphere alongside and outside production?

(b) [*Distribution and Production*]

When looking through the ordinary run of economic works, one is struck at once by the fact that everything is posited twice in them, e.g. rent, wages, interest and profit figure under the heading of distribution, while under the heading of production we see land, labour and capital figure as agents of production. As to capital, it is evident from the outset that it is posited twice, (1) as an agent of production, and (2) as a source of income; as determining and determined forms of distribution. Interest and profit as such therefore figure in production as well, since they are forms in which capital increases and grows, and are thus moments of its very production. As forms of distribution, interest and profit presuppose capital as an agent of production. They are modes of distribution whose presupposition is capital as an agent of production. They are likewise modes of reproduction of capital.

Wages are also wage labour, which is examined in another section; the determinateness that labour has here as an agent of production appears as a determinateness of distribution. If labour were not determined as wage labour, then, as is the case, for instance, under slavery, its share in the products would not appear as wages. Finally rent—if we take the most developed form of distribution by which landed property shares [M-10] in the products—presupposes large-scale landed property (strictly speaking, large-scale agriculture) as an agent of production, and not land in general; just as wages do not presuppose labour in general. The relations and modes of distribution thus appear merely as the reverse aspect of the agents of production. An individual whose participation in production takes the form of wage labour receives a share in the products, the results of production, in the form of wages. The structure of distribution is entirely determined by the structure of production. Distribution itself is a product of production, not only with regard to the object, [in the sense] that only the results of production can be

distributed, but also with regard to the form, [in the sense] that the particular mode of participation in production determines the specific forms of distribution, the form in which one shares in distribution. It is altogether an illusion to posit land in production, and rent in distribution, etc.

Economists like Ricardo, who are mainly reproached with having paid exclusive attention to production, have accordingly regarded distribution as the only subject of [political] economy,^a for they have instinctively treated the forms of distribution as the most definite expression in which the agents of production are found in a given society.

To the single individual distribution naturally appears as a social law, which determines his position within [the system of] production in which he produces; distribution thus being antecedent to production. The individual starts out with neither capital nor landed property. He is dependent by birth on wage labour as a consequence of social distribution. But this dependence is itself the result of the existence of capital and landed property as independent agents of production.

When one considers whole societies, distribution appears in yet another way to be antecedent to production and to determine it; an ante-economic fact, as it were. A conquering people divides the land among the conquerors and in this way imposes a definite mode of distribution and form of landed property, thus determining production. Or it turns the conquered into slaves, thus making slave labour the basis of production. Or a people breaks up the large landed estates into plots in a revolution; hence gives production a new character by this new distribution. Or legislation perpetuates land ownership in certain families, or allocates labour [as] a hereditary privilege, thus fixing it according to caste. In all these cases, and they are all historical, distribution does not seem to be regulated and determined by production but, on the contrary, production seems to be regulated and determined by distribution.

[M-11] Conceived most superficially, distribution appears as the distribution of products, and thus further removed from production and quasi-independent of it. But before distribution becomes the distribution of products, it is (1) distribution of the instruments of production, and (2) (which is another determination of the same relation) distribution of the members of society among the various types of production (the subsuming of individuals

^a See D. Ricardo, op. cit., Preface, p. V.—*Ed.*

under definite relations of production). The distribution of products is obviously merely a result of this distribution, which is comprised in the production process itself and determines the structure of production. To examine production separately from this distribution, which is included in it, is obviously idle abstraction; whereas conversely the distribution of products is automatically given by that distribution, which is initially a moment of production. Ricardo, whose object was the understanding of modern production in its specific social structure, and who is the economist of production *par excellence*, for this very reason declares distribution, *not* production, the proper subject of modern [political] economy. This is added proof of the absurdity of those economists who treat production as an eternal truth, and confine history to the domain of distribution.

The question as to how this form of distribution determining production itself relates to production obviously belongs to [the sphere of] production itself. If it should be said that, since production must proceed from a specific distribution of the instruments of production, distribution is at least in this sense antecedent to and a presupposition of production, then the answer would be that production in fact has its conditions and presuppositions which constitute moments of it. At the very outset these may appear as naturally evolved. Through the process of production itself they are transformed from naturally evolved factors into historical ones, and although they appear as natural preconditions of production for one period, they were its historical result for another. They are continuously changed within production itself. For example, the employment of machinery altered the distribution of both the instruments of production and the products. Modern large-scale landed property itself is the result not only of modern trade and modern industry, but also of the application of the latter to agriculture.

The questions raised above can be ultimately resolved into this: what role do historical conditions generally play in production and how is production related to the process of history in general? This question clearly belongs to the analysis and discussion of production itself.

[M-12] In the trivial form, however, in which these questions have been raised above, they can be dealt with quite briefly. Conquests may lead to either of three results. The conquering people imposes its own mode of production upon the conquered (for example, the English in Ireland during this century, and partly in India); or it allows the old [mode of production] to

continue and contents itself with tribute (e.g. the Turks and Romans); or interaction takes place, giving rise to something new, a synthesis ([this occurred] partly in the Germanic conquests). In all cases it is the mode of production—whether that of the conquering people or of the conquered or that brought about by a merging of the two—that determines the new [mode of] distribution that is established. Although the latter appears as a presupposition of the new period of production, it is itself a product of production, not only of the historical [evolution of] production in general, but of a definite historical [form of] production.

The Mongols, for example, who caused devastation in Russia, acted in accordance with their [mode of] production, cattle-breeding, for which large uninhabited tracts are a fundamental requirement. The Germanic barbarians, whose traditional [mode of] production was agriculture involving serfs and an isolated life in the countryside, could the more easily subject the Roman provinces to these conditions because the concentration of landed property carried out there had already uprooted the older agricultural relations.

It is a long-established view that at certain periods people lived exclusively by plunder. But to be able to plunder, there must be something to plunder, and this implies production. Moreover, the manner of plunder is itself determined by the manner of production, e.g. a STOCK-JOBGING NATION cannot be robbed in the same way as a nation of cowherds.

The instrument of production may be taken away by force directly in the case of slaves. But then the system of production in the country to which the slave is abducted must admit of slave labour, or (as in South America,^a etc.) a mode of production appropriate to slave labour must be established.

Laws may perpetuate an instrument of production, e.g., land, in certain families. These laws acquire economic significance only if large-scale landed property is in harmony with the mode of social production, as for instance in England. In France, agriculture was carried on on a small scale, despite the existence of large estates, which were therefore broken up by the Revolution. But can the small plot system be perpetuated, e.g. by laws? Property concentrates itself again despite these laws. The influence of laws aimed at preserving [existing] relations of distribution, and hence their effect on production, have to be examined specially.

^a Marx presumably means the Southern States of the USA.—*Ed.*

[M-13] (c) *Lastly, Exchange and Circulation*

Circulation itself is only a definite moment of exchange, or it is also exchange regarded in its totality.

Since *exchange* is only a mediating moment linking production and distribution (which is determined by production) with consumption; since consumption moreover itself appears as a moment of production, exchange is obviously also comprised in production as one of its moments.

Firstly, it is clear that the exchange of activities and capacities which takes place in production itself is a direct and essential part of production. Secondly, the same applies to the exchange of products in so far as this exchange is a means for manufacturing the finished product intended for immediate consumption. To this extent the act of exchange itself is comprised in production. Thirdly, what is called EXCHANGE BETWEEN DEALERS AND DEALERS¹⁵ is by virtue of its organisation entirely determined by production and is itself a productive activity. Exchange appears to exist independently alongside production, to be indifferent to it, only in the last stage, when the product is exchanged directly for consumption. But (1) [there is] no exchange without division of labour, whether this is naturally evolved or is itself already the result of an historical process; (2) private exchange presupposes private production; (3) the intensity of exchange, its extent and nature, are determined by the development and structure of production. E.g. exchange between town and country, exchange in the countryside, in the town, etc. Thus exchange in all its moments appears either to be directly comprised in production, or else determined by it.

The result at which we arrive is, not that production, distribution, exchange and consumption are identical, but that they are all elements of a totality, differences within a unity. Production is the dominant moment, both with regard to itself in the contradictory determination of production and with regard to the other moments. The process always starts afresh with production. That exchange and consumption cannot be the dominant moments is self-evident, and the same applies to distribution as the distribution of products. As distribution of the agents of production, however, it is itself a moment of production. A definite [mode of] production thus determines a definite [mode of] consumption, distribution, exchange and *definite relations of these different moments to one another*. Production *in its one-sided form*, however, is in its turn also determined by the other moments. For

example, if the market, i.e. the sphere of exchange, expands, production grows in volume, and becomes more differentiated. Changes in distribution, e.g. concentration of capital, different distribution of the population in town and country, and the like, entail changes in production. Lastly, production is determined by the needs of consumption. There is an interaction between the different moments. This is the case with any organic entity.

[M-14] 3. THE METHOD OF POLITICAL ECONOMY

When considering a given country from the standpoint of political economy, we begin with its population, the division of the population into classes, town and country, sea, the different branches of production, export and import, annual production and consumption, commodity prices, etc.

It would seem right to start with the real and concrete, with the actual presupposition, e.g. in political economy to start with the population, which forms the basis and the subject of the whole social act of production. Closer consideration shows, however, that this is wrong. Population is an abstraction if, for instance, one disregards the classes of which it is composed. These classes in turn remain an empty phrase if one does not know the elements on which they are based, e.g. wage labour, capital, etc. These presuppose exchange, division of labour, prices, etc. For example, capital is nothing without wage labour, without value, money, price, etc. If one were to start with population, it would be a chaotic conception of the whole, and through closer definition one would arrive analytically at increasingly simple concepts; from the imagined concrete, one would move to more and more tenuous abstractions until one arrived at the simplest determinations. From there it would be necessary to make a return journey until one finally arrived once more at population, which this time would be not a chaotic conception of a whole, but a rich totality of many determinations and relations.

The first course is the one taken by political economy historically at its inception. The 17th-century economists, for example, always started with the living whole, the population, the nation, the State, several States, etc., but analysis always led them in the end to the discovery of a few determining abstract, general relations, such as division of labour, money, value, etc. As soon as these individual moments were more or less clearly deduced and abstracted, economic systems were evolved which from the simple [concepts], such as labour, division of labour, need, exchange

value, advanced to the State, international exchange and world market.

The latter is obviously the correct scientific method. The concrete is concrete because it is a synthesis of many determinations, thus a unity of the diverse. In thinking, it therefore appears as a process of summing-up, as a result, not as the starting point, although it is the real starting point, and thus also the starting point of perception and conception. The first procedure attenuates the comprehensive visualisation to abstract determinations, the second leads from abstract determinations by way of thinking to the reproduction of the concrete.

Hegel accordingly arrived at the illusion that the real was the result of thinking synthesising itself within itself, delving ever deeper into itself and moving by its inner motivation; actually, the method of advancing from the abstract to the concrete is simply the way in which thinking assimilates the concrete and reproduces it as a mental concrete. This is, however, by no means the process by which the concrete itself originates. For example, the simplest economic category, e.g. exchange value, presupposes population, population which produces under definite conditions, as well as [M-15] a distinct type of family, or community, or State, etc. Exchange value cannot exist except as an abstract, one-sided relation of an already existing concrete living whole.

But as a category exchange value leads an antediluvian existence. Hence to the kind of consciousness—and philosophical consciousness is precisely of this kind—which regards the comprehending mind as the real man, and only the comprehended world as such as the real world—to this consciousness, therefore, the movement of categories appears as the real act of production—which unfortunately receives an impulse from outside—whose result is the world; and this (which is however again a tautology) is true in so far as the concrete totality regarded as a conceptual totality, as a mental concretum, is IN FACT a product of thinking, of comprehension; yet it is by no means a product of the self-evolving concept whose thinking proceeds outside and above perception and conception, but of the assimilation and transformation of perceptions and images into concepts. The totality as a conceptual totality seen by the mind is a product of the thinking mind, which assimilates the world in the only way open to it, a way which differs from the artistic-, religious- and practical-intellectual assimilation of this world. The real subject remains outside the mind and independent of it—that is to say, so long as the mind adopts a purely speculative, purely theoretical attitude. Hence the

subject, society, must always be envisaged as the premiss of conception even when the theoretical method is employed.

But have not these simple categories also an independent historical or natural existence preceding that of the more concrete ones? *Ça dépend.*^a Hegel, for example, correctly takes possession, the simplest legal relation of the subject, as the point of departure of the philosophy of law.^b No possession exists, however, before the family or the relations of lord and servant are evolved, and these are much more concrete relations. It would, on the other hand, be correct to say that families and entire tribes exist which have as yet only *possession* and not *property*. The simpler category appears thus as a relation of simpler family or tribal associations with regard to property. In a society which has reached a higher stage the category appears as the simpler relation of a developed organisation. The more concrete substratum underlying the relation of possession is, however, always presupposed. One can conceive an individual savage who has possessions; possession in this case, however, is not a legal relation. It is incorrect that historically possession develops into the family. On the contrary, possession always presupposes this “more concrete legal category”. Still, one may say that the simple categories express relations in which the less developed concrete may have realised itself without as yet having posited the more complex connection or relation which is conceptually expressed in the more concrete category; whereas the more developed concrete retains the same category as a subordinate relation.

Money can exist and has existed in history before capital, banks, wage labour, etc., came into being. In this respect it can be said, therefore, that the simpler category can express relations predominating in a less developed whole or subordinate relations in a more developed whole, relations which already existed historically before the whole had developed the aspect expressed in a more concrete category. To that extent, the course of abstract thinking which advances from the elementary to the combined corresponds to the actual [M-16] historical process.

It can be said, on the other hand, that there are highly developed, and yet historically less mature, forms of society in which one finds the most advanced forms of economy, e.g. cooperation, developed division of labour, etc., but no form of

^a This depends.—*Ed.*

^b G. W. F. Hegel, *Grundlinien der Philosophie des Rechts*, Part 1, §§ 40, 50 and 49-52.—*Ed.*

money at all, for instance Peru.¹⁶ In Slavonic communities too, money—and exchange, which conditions it—occurs little, or not at all, within the individual community, but is used on the borders, in the intercourse with other communities; and it is altogether wrong to posit exchange within the community as the original constituting element. On the contrary, in the beginning exchange tends to arise in the intercourse of different communities with one another, rather than among members of the same community. Moreover, although money plays a role very early and in diverse ways, it was a dominant element in antiquity only among nations determined in one particular manner, i.e. trading nations. Even in the most advanced antiquity, among the Greeks and Romans, money reaches its full development, which is presupposed in modern bourgeois society, only in the period of their disintegration. Thus this quite simple category does not emerge historically in its intensive form until the most highly developed phases of society, and it certainly does not penetrate all economic relations. For example, taxes in kind and deliveries in kind remained the basis in the Roman empire even at the height of its development. In effect, the monetary system in its fully developed form was to be encountered there only in the army,¹⁷ and it never embraced the whole of labour.

So although the simpler category may have existed historically before the more concrete category, its complete intensive and extensive development can nevertheless occur precisely in a complex form of society, whereas the more concrete category was more fully evolved in a less developed form of society.

Labour seems to be a very simple category. The notion of labour in this universal form, as labour in general, is also as old as the hills. Nevertheless, considered economically in this simplicity, “labour” is just as modern a category as the relations which give rise to this simple abstraction. The monetary system, for example, still posits wealth quite objectively, as a thing existing independently in the form of money. Compared with this standpoint, it was a great advance when the manufacturing or mercantile system transferred the source of wealth from the object to the subjective activity—mercantile or manufacturing labour—but it still considered that only this circumscribed activity itself produced money. In contrast to this system, the Physiocrats posit one definite form of labour—agriculture—as wealth-producing, and the object itself no longer in the guise of money, but as a product in general, as the universal result of labour. In accordance with the still circumscribed activity, the product remains a naturally determined

product, an agricultural product, a product of the earth *par excellence*.

[M-17] It was an immense advance when Adam Smith discarded any definiteness of the wealth-producing activity—for him it was labour as such, neither manufacturing, nor mercantile, nor agricultural labour, but all types of labour. The abstract universality of wealth-creating activity [implies] also the universality of the object determined as wealth: product in general, or once more labour in general, but as past, objectified labour. How difficult and immense a transition this was is demonstrated by the fact that Adam Smith himself still occasionally relapses into the Physiocratic system. It might seem that in this way merely an abstract expression was found for the simplest and most ancient relation in which human beings act as producers—whatever the type of society they live in. This is true in one respect, but not in another.

The fact that the specific kind of labour is irrelevant presupposes a highly developed totality of actually existing kinds of labour, none of which is any more the dominating one. Thus the most general abstractions arise on the whole only with the most profuse concrete development, when one [phenomenon] is seen to be common to many, common to all. Then it is no longer perceived solely in a particular form. On the other hand, this abstraction of labour in general is not simply the conceptual result of a concrete totality of labours. The fact that the particular kind of labour is irrelevant corresponds to a form of society in which individuals easily pass from one kind of labour to another, the particular kind of labour being accidental to them and therefore indifferent. Labour, not only as a category but in reality, has become here a means to create wealth in general, and has ceased as a determination to be tied with the individuals in any particularity. This state of affairs is most pronounced in the most modern form of bourgeois society, the United States. It is only there that the abstract category “labour”, “labour as such”, labour *sans phrase*, the point of departure of modern [political] economy, is first seen to be true in practice.

The simplest abstraction which plays the key role in modern [political] economy, and which expresses an ancient relation existing in all forms of society, appears to be true in practice in this abstract form only as a category of the most modern society. It might be said that what is a historical product in the United States—this indifference to the particular kind of labour—appears to be among the Russians, for instance, a natural predisposition. But in the first place, there is an enormous

difference between barbarians having a predisposition to be applied to everything, and civilised people applying themselves to everything. And then, as regards the Russians, this indifference to the particular kind of labour in practice goes hand in hand with the traditional stagnation in some very definite kind of labour, from which they can only be wrenched by external influences.

[M-18] The example of labour strikingly demonstrates that even the most abstract categories, despite their being valid—precisely because they are abstractions—for all epochs, are, in the determinateness of their abstraction, just as much a product of historical conditions and retain their full validity only for and within these conditions.

Bourgeois society is the most developed and many-faceted historical organisation of production. The categories which express its relations, an understanding of its structure, therefore, provide, at the same time, an insight into the structure and the relations of production of all previous forms of society the ruins and components of which were used in the creation of bourgeois society. Some of these remains are still dragged along within bourgeois society unassimilated, while elements which previously were barely indicated have developed and attained their full significance, etc. The anatomy of man is a key to the anatomy of the ape. On the other hand, indications of higher forms in the lower species of animals can only be understood when the higher forms themselves are already known. Bourgeois economy thus provides a key to that of antiquity, etc. But by no means in the manner of those economists who obliterate all historical differences and see in all forms of society the bourgeois forms. One can understand tribute, tithe, etc., if one knows rent. But they must not be treated as identical.

Since bourgeois society is, moreover, only a contradictory form of development, it contains relations of earlier forms of society often only in very stunted shape or as mere travesties, e.g. communal property. Thus, if it is true that the categories of bourgeois economy are valid for all other forms of society, this has to be taken *cum grano salis*,^a for they may contain them in a developed, stunted, caricatured, etc., form, always with substantial differences. What is called historical development rests, in general, on the fact that the latest form regards the earlier ones as stages leading towards itself and always conceives them in a one-sided manner, since only rarely, and under quite definite conditions, is it

^a With a grain of salt.—Ed.

capable of self-criticism (this of course does not apply to historical periods which regard themselves as times of decline). It was not until its self-criticism was to a certain extent prepared, as it were *δυνάμει*, that the Christian religion was able to contribute to an objective understanding of earlier mythologies. Similarly, it was not until the self-criticism of bourgeois society had begun that bourgeois [political] economy came to understand the feudal, ancient and oriental economies. In so far as bourgeois economy did not simply identify itself with the earlier economies in a mythological manner, its criticism of them—especially of the feudal economy, against which it still had to wage a direct struggle—resembled the criticism that Christianity directed against heathenism, or which Protestantism directed against Catholicism.

[M-19] Just as generally in the case of any historical, social science, so also in examining the development of economic categories it is always necessary to remember that the subject, in this context modern bourgeois society, is given, both in reality and in the mind, and that therefore the categories express forms of being, determinations of existence—and sometimes only individual aspects—of this particular society, of this subject, and that *even from the scientific standpoint* it therefore by no means begins at the moment when it is first discussed *as such*. This has to be remembered because it provides the decisive criteria for the arrangement [of the material].

For example, nothing seems more natural than to begin with rent, with landed property, since it is bound up with the earth, the source of all production and all life, and with agriculture, the first form of production in all more or less established societies. But nothing would be more erroneous. In every form of society there is a particular [branch of] production which determines the position and importance of all the others, and the relations obtaining in this branch accordingly determine those in all other branches. It is the general light tingeing all other colours and modifying them in their specific quality; it is a special ether determining the specific gravity of everything found in it.

For example, pastoral peoples (peoples living exclusively on hunting or fishing are beyond the point from which real development begins). A certain type of agriculture occurs among them, sporadically, and this determines landed property. It is common property and retains this form in a larger or smaller measure, depending on the degree to which these peoples maintain their traditions, e.g. communal property among the Slavs. Among peoples with settled agriculture—this settling is

already a great advance—where agriculture predominates, as in antiquity and the feudal period, even industry, its organisation and the forms of property corresponding thereto, have more or less the character of landed property. Industry is either completely dependent on it, as with the ancient Romans, or, as in the Middle Ages, it copies in the town and in its conditions the organisation of the countryside. In the Middle Ages even capital—unless it was purely money capital—capital as traditional tools, etc., has this character of landed property.

The reverse is the case in bourgeois society. Agriculture to an increasing extent becomes merely a branch of industry and is completely dominated by capital. The same applies to rent. In all forms in which landed property rules supreme, the nature relationship still predominates; in the forms in which capital rules supreme, the social, historically evolved element predominates. Rent cannot be understood without capital, but capital can be understood without rent. Capital is the economic power that dominates everything in bourgeois society. It must form both the point of departure and the conclusion and must be analysed before landed property. After each has been considered separately, their interconnection must be examined.

[M-20] It would therefore be inexpedient and wrong to present the economic categories successively in the order in which they played the determining role in history. Their order of succession is determined rather by their mutual relation in modern bourgeois society, and this is quite the reverse of what appears to be their natural relation or corresponds to the sequence of historical development. The point at issue is not the place the economic relations took relative to each other in the succession of various forms of society in the course of history; even less is it their sequence “in the Idea” (*Proudhon*^a) (a nebulous notion of the historical process), but their position within modern bourgeois society.

It was the predominance of agricultural peoples that made the trading peoples—Phoenicians, Carthaginians—appear in such purity (abstract determinateness) in the ancient world. For capital as merchant or money capital appears precisely in that abstract form where capital is not yet the dominant factor in society. Lombards and Jews occupied the same position in relation to mediaeval agrarian societies.

^a P. J. Proudhon, op. cit., Vol. I, pp. 145-46.—Ed.

Another example of the different roles which the same categories play at different stages of society are JOINT-STOCK COMPANIES, one of the most recent features of bourgeois society; but they appear also in its early period in the form of large privileged commercial companies with rights of monopoly.

The concept of national wealth finds its way into the works of the economists of the 17th century as the notion that wealth is created solely for the State, whose power, on the other hand, is proportional to this wealth—a notion which to some extent survives among 18th-century economists. This was still the unintentionally hypocritical form in which wealth itself and the production of wealth was proclaimed to be the goal of the modern State, which was regarded merely as a means for producing wealth.

The arrangement has evidently to be made as follows:

(1) The general abstract determinations, which therefore appertain more or less to all forms of society, but in the sense set forth above. (2) The categories which constitute the internal structure of bourgeois society and on which the principal classes are based. Capital, wage labour, landed property. Their relation to one another. Town and country. The 3 large social classes. Exchange between them. Circulation. Credit system (private). (3) The State as the epitome of bourgeois society. Analysed in relation to itself. The “unproductive” classes. Taxes. National debt. Public credit. Population. Colonies. Emigration. (4) International character of production. International division of labour. International exchange. Export and import. Rate of exchange. (5) World market and crises.

[M-21] 4. PRODUCTION.

MEANS OF PRODUCTION AND RELATIONS OF PRODUCTION.
RELATIONS OF PRODUCTION AND CONDITIONS OF COMMUNICATION.
FORMS OF THE STATE AND OF CONSCIOUSNESS IN RELATION
TO THE RELATIONS OF PRODUCTION AND OF COMMERCE.
LEGAL RELATIONS. FAMILY RELATIONS

NB. Notes regarding points which have to be mentioned here and should not be forgotten:

(1) *War* develops [certain features] earlier than peace; the way in which as a result of war, and in the armies, etc., certain economic conditions, e.g. wage labour, machinery, etc., were evolved earlier than within civil society. The relation between productive power and conditions of communication is likewise particularly evident in the army.

(2) *The relation of the hitherto existing idealistic historiography to realistic historiography. In particular what is known as history of civilisation, which is all a history of religion and states. (In this context something can also be said about the various kinds of historiography hitherto existing. So-called objective,¹⁸ subjective (moral and other kinds), philosophical [historiography].)*

(3) *Secondary and tertiary [relations], in general derived and transmitted, non-original, relations of production. The influence of international relations here.*

(4) *Reproaches about the materialism of this conception. Relation to naturalistic materialism.*

(5) *Dialectic of the concepts productive power (means of production) and relation of production, a dialectic whose limits have to be defined and which does not abolish real difference.*

(6) *The unequal development of material production and e.g. art. In general, the concept of progress is not to be taken in the usual abstract form. With regard to art, etc., this disproportion is not so important and [not so] difficult to grasp as within practical social relations themselves, e.g. in culture. Relation of the United States to Europe. However, the really difficult point to be discussed here is how the relations of production as legal relations enter into uneven development. For example, the relation of Roman civil law (this applies in smaller measure to criminal and public law) to modern production.*

(7) *This conception^a appears to be an inevitable development. But vindication of chance. How. (Of freedom, etc., as well.) (Influence of the means of communication. World history did not exist always; history as world history is a result).*

(8) *The starting point is of course determinateness by nature; subjectively and objectively. Tribes, races, etc.*

(1) As regards art, it is known that certain periods of its florescence by no means correspond to the general development of society, or, therefore, to the material basis, the skeleton as it were of its organisation. For example, the Greeks compared with the moderns, or else Shakespeare. It is even acknowledged that certain forms of art, e.g. epos, can no longer be produced in their epoch-making, classic form after artistic production as such has begun; in other words that certain important creations within the compass of art are only possible at an early stage of its

^a Marx apparently means the conception of history discussed in the preceding points.—Ed.

development. If this is the case with regard to the different arts within the sphere of art itself, it is not so remarkable that this should also be the case with regard to the entire sphere of art in its relation to the general development of society. The difficulty lies only in the general formulation of these contradictions. As soon as they are specified, they are already explained.

[M-22] Let us take, for example, the relation of Greek art, and that of Shakespeare, to the present time. We know that Greek mythology is not only the arsenal of Greek art, but also its basis. Is the conception of nature and of social relations which underlies Greek imagination and therefore Greek [art] possible in the age of SELFFACTORS, railways, locomotives and electric telegraphs? What is Vulcan compared with Roberts and Co.,¹⁹ Jupiter compared with the lightning conductor, and Hermes compared with the Crédit Mobilier²⁰? All mythology subdues, dominates and fashions the forces of nature in the imagination and through the imagination; it therefore disappears when real domination over these forces is established. What becomes of Fama beside Printing House Square²¹? Greek art presupposes Greek mythology, in other words, nature and even the social forms have already been worked up in an unconsciously artistic manner by the popular imagination. This is the material of Greek art. Not just any mythology, i.e. not any unconsciously artistic working up of nature (here the term comprises all objective phenomena, including society). Egyptian mythology could never become the basis or material womb of Greek art. But at any rate [it presupposes] a mythology. Hence, on no account a social development which precludes any mythological, [i.e.] any mythologising, attitude towards nature, and therefore demands from the artist an imagination independent of mythology.

Regarded from another angle: is Achilles possible when powder and shot have been invented? And is the *Iliad* possible at all when the printing press and even printing machines exist? Does not the press bar inevitably spell the end of singing and reciting and the muses, that is, do not the conditions necessary for epic poetry disappear?

But the difficulty lies not in understanding that Greek art and epic poetry are bound up with certain forms of social development. The difficulty is that they still give us aesthetic pleasure and are in certain respects regarded as a standard and unattainable model.

An adult cannot become a child again, or he becomes childish. But does not the naiveté of the child give him pleasure, and must

he not himself endeavour to reproduce the child's veracity on a higher level? Does not the specific character of every epoch come to life again in its natural veracity in the child's nature? Why should not the historical childhood of humanity, where it attained its most beautiful form, exert an eternal charm as a stage that will never recur? There are unbred children and precocious children. Many of the ancient peoples belong to this category. The Greeks were normal children. The charm their art has for us does not conflict with the immature stage of the society in which it originated. On the contrary, that charm is a consequence of this and is, rather, inseparably linked with the fact that the immature social conditions which gave rise, and which alone could give rise, to this art can never recur.

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OUTLINES OF THE CRITIQUE OF POLITICAL ECONOMY

(ROUGH DRAFT OF 1857-58)²²

[First Instalment]

[I-1] II. CHAPTER ON MONEY²³ALFRED DARIMON, *DE LA RÉFORME DES BANQUES*, PARIS, 1856

“All the trouble derives from the predominance of the precious metals which is obstinately being preserved in circulation and exchange” (pp. 1, 2).^{a24}

Begins with the measures taken by the Banque de France in October 1855

“to remedy the progressive diminution of its cash reserves” (p. 2).

Wants to give us a statistical *tableau* of the position of the Bank in the five months preceding its measures taken in October. For this purpose, he compares the size of its bullion reserves in each of these five months with the “fluctuations in its portfolio”, i.e. the amount of its DISCOUNTS (the commercial papers, *bills of exchange* in its portfolio). According to Darimon, the figure expressing the value of the SECURITIES held by the Bank

“represents the greater or lesser need which the public feels for its services, or, which amounts to the same, the requirements of circulation” (p. 2).

Which amounts to the same? Not at all. If the amount of the BILLS presented for DISCOUNT were identical with the “requirements of circulation”, strictly speaking of *money circulation*, the circulation of notes [its volume] would be determined by the amount of the bills of exchange discounted. But these movements, so far from being on average proportional to each other, often bear an inverse relationship. The amount of the bills of exchange discounted and its fluctuations express the requirements of credit, while the amount of money in circulation depends on quite different factors. In order to arrive at any conclusion about circulation, Darimon ought first to have compiled a column for the amount of

^a Here and below Marx quotes from Darimon mostly in French.—*Ed.*

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notes in circulation, alongside the column for the bullion reserves and that for bills discounted.

In order to discuss the requirements of circulation, it was surely necessary to establish first of all the fluctuations in actual circulation. The omission of this necessary term of the comparison betrays at once amateurish incompetence and deliberate confusion of the requirements of credit with those of money circulation—a confusion upon which the entire secret of Proudhon's wisdom is in fact based. (As if in a mortality table illnesses were on one side and deaths on the other, while births were overlooked.)

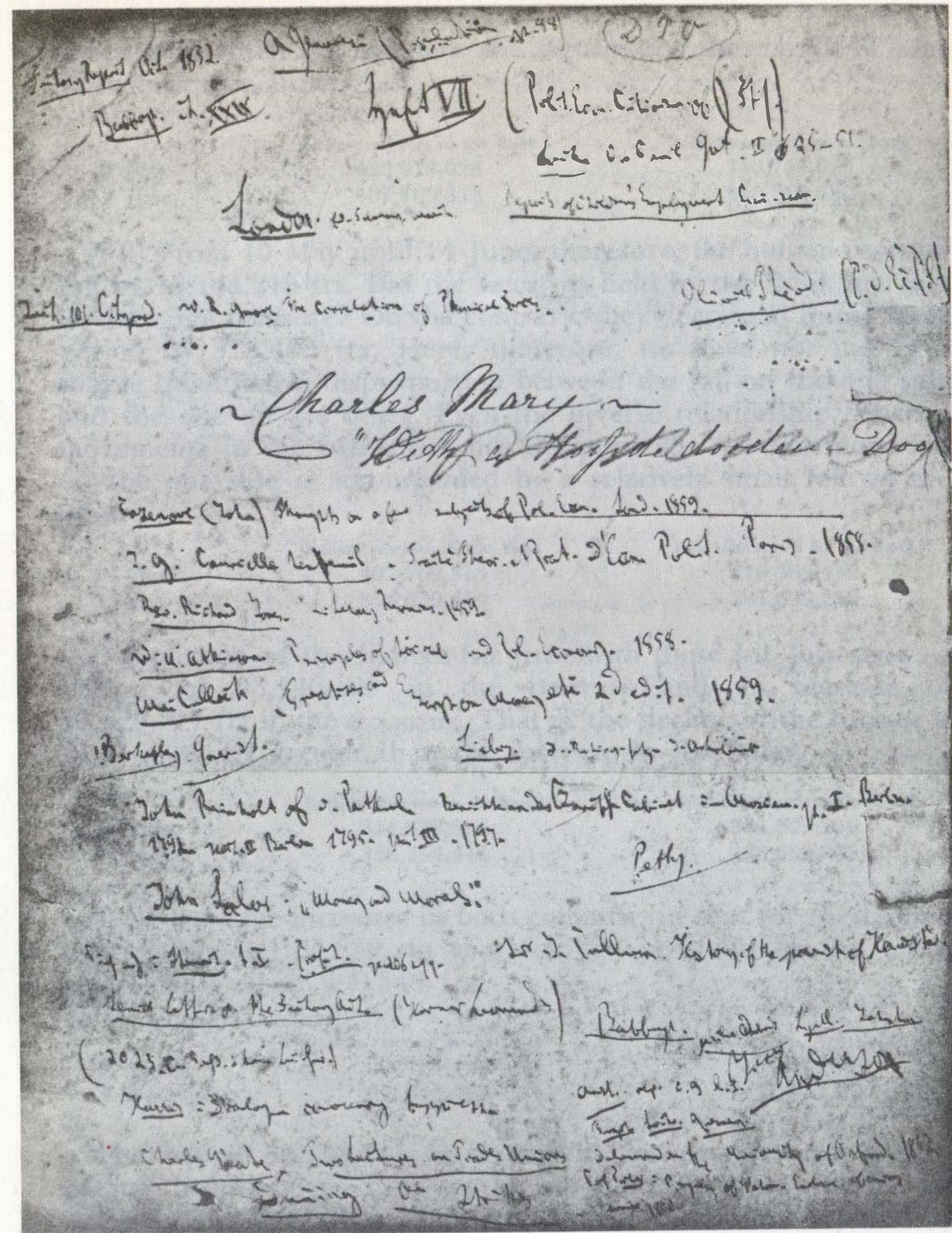
Darimon's two columns (see p. 3), that for the bullion reserves of the Bank from April to September on the one side and the changes in its portfolio on the other, express nothing but the tautological fact, which needs no display of statistical illustrations, that in proportion as bills were brought to the Bank to be withdrawn from its vaults, its portfolio became filled with bills and emptied of bullion. And even this tautology, which Darimon seeks to demonstrate with his table, is not directly expressed in it. It shows rather that from 12 April to 13 September 1855 the bullion reserves of the Bank fell by about 144 million [francs], while the commercial papers in its portfolio rose by about 101 million. The decline in the bullion reserves therefore exceeded by 43 million the increase in the commercial papers discounted. The identity of movement over five months.

A more precise comparison of the figures reveals other discrepancies.²⁵

	Bullion reserves in the Bank	Bills discounted by the Bank
12 April	432,614,797 frs	322,904,313
10 May	420,914,028	310,744,925

In other words, between 12 April and 10 May, the bullion reserves fell by 11,700,769, while the volume of securities increased by 12,159,388; i.e. the increase in securities exceeded by about half a million francs (458,619 frs) the decline in the bullion reserves. An analogous discrepancy, but to a much more surprising degree,

^a This should read "108 million". There are also other numerical inaccuracies in the section on Darimon and in the 1857-58 manuscript generally. They do not affect the substance of Marx's conclusions and are reproduced in the present edition without correction.—Ed.



Cover of Notebook VII of the manuscript *Outlines of the Critique of Political Economy*

is revealed when we compare the figures for the month of May with those for June:

	Bullion reserves in the Bank	Bills discounted by the Bank
<i>10 May</i>	420,914,028	310,744,925
<i>14 June</i>	407,769,813	310,369,439

[I-2] From 10 May until 14 June, therefore, the bullion reserves fell by 13,144,215 frs. Did the SECURITIES held by the Bank increase in the same measure? On the contrary, they decreased in the same period by 375,486 frs. Here, therefore, we have not merely a simple quantitative disproportion between the fall on the one side and the rise on the other. Even the inverse relationship between movements in the two series has disappeared. An enormous fall on the one side is accompanied by a relatively small fall on the other.

	Bullion reserves in the Bank	Bills discounted by the Bank
<i>14 June</i>	407,769,813	310,369,439
<i>12 July</i>	314,629,614	381,699,256

Comparison of the figures for June with those for July shows a decline of 93,140,199 in the reserves and an increase of 71,329,717 frs in the SECURITIES. That is, the decline of the former is 21,810,482 frs greater than the increase in the latter.

	Bullion reserves in the Bank	Bills discounted by the Bank
<i>12 July</i>	314,629,614	381,699,256
<i>9 August</i>	338,784,444	458,689,605

Here we have increases in both columns: in that for the bullion reserves by 24,154,830, in that for the portfolio by the much greater sum of 66,990,349 frs.

	Bullion reserves in the Bank	[Bills discounted by the Bank]
<i>9 August</i>	338,784,444	458,689,605
<i>13 September</i>	288,645,333	431,390,562

The fall of 50,139,111 frs in the bullion reserves was accompanied in this period by a decline of 27,299,043 frs in the SECURITIES. (In December 1855, despite the restrictions imposed by the Banque de France, its reserves were reduced by a further 24 million.)

What is sauce for the goose is sauce for the gander. The facts that emerge from successive comparison of the five-month period possess the same claim to trustworthiness as do those resulting from Mr. Darimon's comparison of the first and last figures of the

columns. And what does the comparison show? Truths which devour one another. Twice there is an increase in the portfolio and a fall in the reserves, but in such a way that the decrease in the latter is smaller than the increase in the former (April-May and June-July). Twice there is a decrease in the reserves accompanied by a decrease in the portfolio, but the decrease in the latter is not as great as the decrease in the former (May-June and August-September). Finally, in one case there is an increase in the reserves and an increase in the portfolio, but the former is smaller than the latter [July-August].

A decline in one column, a rise in the other; a decline in both columns; a rise in both columns. So there is anything but a consistent pattern, above all there is not an inverse relationship [between the reserves and the portfolio], not even an interaction [between them], since a decline in the portfolio cannot be the cause of the fall in the reserves, and an increase in the portfolio cannot be the cause of the increase in the reserves. The inverse relationship and interaction is not even established by the isolated comparison between the figures for the first and the last month which Darimon makes. If the increase in the portfolio by 101 million does not make good the decline of 144 million in the reserves, there remains the possibility that the increase in the one [I-3] and the decrease in the other bear no causal relationship whatever to each other. The statistical illustration, instead of giving an answer, has only thrown up a mass of mutually intersecting questions. Instead of one riddle, three score.

In fact, the riddles would disappear at once, if only Mr. Darimon were to set down the columns for note circulation and deposits alongside those for the reserves and the portfolio (of bills discounted). A fall in the reserves smaller than the increase in bills discounted would then be explained thus: either deposits of bullion have increased at the same time; or a part of the notes issued in discount was not exchanged for bullion but remained in circulation; or finally, the notes issued were immediately returned [to the Bank] in the form of deposits or as payment for overdue bills, thus not increasing note circulation. A decrease in the reserves accompanied by a smaller decrease in the portfolio would be explained by deposits being withdrawn from the Bank or notes being brought in and exchanged for bullion, its own discounting thus being impaired by the owners of the withdrawn deposits or of the notes converted into silver. Finally, a small decrease in the reserves accompanied by a smaller decrease in the portfolio would be explained in the same way (we omit the possibility of a drain on

the reserves for the replacement of silver coinage within the country, since Darimon does not take account of it in his analysis).

But the columns which would thus have explained each other would also have proved something which it was not intended to prove: that the satisfaction of the growing requirements of trade by the Bank does not necessarily result in an expansion of the amount of its notes in circulation; that the contraction or expansion of this note circulation does not correspond to a contraction or expansion of the Bank's bullion reserves; that the Bank does not control the quantity of means of circulation, etc.—all of them conclusions which conflict with the arguments which Mr. Darimon is trying to sell. In his haste to present dramatically his preconceived opinion as to the opposition between the metallic basis of the Bank, as represented by its bullion reserves, and the requirements of circulation, represented in his view by the Bank's portfolio, he tears two columns from their necessary complementary context, which in this isolation lose all meaning, or, if they show anything at all, provide evidence against himself. We have dwelt upon this *fait*^a to demonstrate from one example the value of the statistical and positive illustrations of the Proudhonists. Instead of the economic facts providing the test of their theories, they prove that they do not master the facts, in order to be able to play with them. Indeed their way of playing with the facts demonstrates the origins of their theoretical abstraction.

Let us follow Darimon further.

When the Bank of France saw its reserves diminished by 144 million and its portfolio increased by 101 million, it took measures on 4 and 18 October 1855 to protect its vaults against its portfolio. It raised its discount rate in successive steps from 4 to 5% and from 5 to 6%, and reduced from 90 to 75 days the time of payment of bills presented for discount. In other words: it rendered more difficult the conditions under which it placed its bullion at the disposal of commerce. What does this show? According to Darimon,

“that a bank organised on present-day principles, i.e. founded upon the predominance of gold and silver, deprives the public of its services exactly at the moment when they are most needed” [ibid., p. 3].

Did Mr. Darimon need all his statistics to show that the supplier raises the price of his services in the same measure that the demand for them rises (and exceeds them)? And do not the

^a Matter.—Ed.

gentlemen who represent "the public" vis-à-vis the Bank follow the same "agreeable custom of life"^a? Do the philanthropic grain dealers, who present their bills of exchange to the Bank in order to get notes to exchange for the Bank's gold, in order to exchange that gold for grain from abroad, in order to exchange that grain for the money of the French public, are they by any chance motivated by the idea that, because the public's need for grain is now at its peak, it is their duty to sell grain more cheaply? Or do they not rather rush to the Bank to exploit the rise in the price of grain, the need of the public, the imbalance between the public's demand and the available supply? And the Bank should be an exception from this general economic law? *Quelle idée!*^b

But it may be the effect of the present-day organisation of the banks that gold must be accumulated in so large quantities that the means of purchase, which could be used most beneficially for the nation in the case of a grain shortage, are condemned to be idle, and that in general capital, which should circulate in fruitful [I-4] transformations of production, is turned into the unproductive and stagnant basis of circulation. In this case it would mean that, given the present organisation of the banks, the unproductive bullion reserves still exceed the necessary minimum, because the saving of gold and silver within circulation has not yet been pushed back to its economic limits. It would be a matter of something more or less on the same basis. But the question would have been brought down from the socialist heights to the bourgeois-practical plains in which we find it strolling in the books of most of the English bourgeois opponents of the Bank of England. *Quelle chute!*^c

But perhaps it is not a matter of a greater or lesser economy of gold and silver by means of notes and other banking devices, but of abandoning the metallic basis of the currency altogether? But then again, the statistical fable loses its point, and so does its moral. If the Bank, under whatever conditions, is to export precious metals in case of an emergency, it must previously have accumulated them; and if foreign countries are to accept them in exchange for their commodities, these metals must have asserted their predominance.

The causes which drained from the Bank its precious metals were, according to Darimon, a bad harvest and the consequent

^a An allusion to a passage in Goethe's *Egmont*, Act V.—*Ed.*

^b What an idea! — *Ed.*

^c What a fall! — *Ed.*

necessity of importing grain from abroad. He forgets the failure of the silk harvest and the need of extensive purchases of silk from China. Darimon also blames the many large-scale undertakings which coincided with the last months of the Paris Industrial Exhibition.^a Again he forgets the vast speculations and ventures abroad undertaken by the *Crédit Mobilier*²⁰ and its rivals, to show, as Isaac Péreire says, that French capital distinguishes itself from that of other countries by its cosmopolitan character, just as the French language does from other languages. Add to that the unproductive expenditure occasioned by the Eastern War^b: the loan of 750 million.

In other words, on the one hand a great and sudden shortfall in two of the most important branches of French production! On the other hand, an extraordinary use of French capital in foreign markets for undertakings which created no direct equivalent and some of which will perhaps never cover their production costs! On the one hand, the imports which made up for the decline of domestic production and, on the other hand, the increase in industrial ventures abroad, required not the tokens of circulation which serve for the exchange of equivalents, but the equivalents themselves, not money but capital. In any case, the reduction in French domestic production was not an equivalent for the investment of French capital abroad.

Now, suppose that the Bank of France had not rested upon a metallic basis, and foreign countries had been willing to accept the French equivalent or capital in any form, not only in the specific form of the precious metals. Would not the Bank have been forced just the same to raise its discount rate exactly at the time when its "public" clamoured most eagerly for its services? The notes in which the Bank discounts the bills of exchange of this public are now nothing but drafts on gold and silver. They would be, on our assumption, drafts on the nation's store of products and its immediately employable labour power. The first is limited, the second is expandable only within very definite limits and in certain periods of time. On the other hand, the paper-machine is inexhaustible, as if driven by the power of magic. Simultaneously, while the failure of the grain and silk harvest enormously diminished the immediately exchangeable wealth of the nation, the foreign investments in railways, mines, etc., immobilised immediately exchangeable wealth in a form that created no

^a The Paris World Industrial Exhibition, May to November 1855.—*Ed.*

^b The Crimean War, 1853-56.—*Ed.*

immediate equivalent and therefore swallowed it up for the moment without compensation! Thus the immediately exchangeable wealth of the nation which can circulate and can be exported, absolutely diminished! On the other hand, unrestricted growth of the issue of bank drafts. The immediate consequence: a rise in the price of manufactured goods, of raw materials and of labour. On the other hand, a fall in the price of bank drafts. The Bank would not have expanded the national wealth by the touch of a magic wand, but would only have depreciated its own paper as a result of a very ordinary operation. Would this depreciation not have led to a sudden paralysis of production?

But no, exclaims the Proudhonist. Our new bank organisation would [I-5] not be content with the negative merit of abolishing the metallic basis and leaving everything else as it was. It would create entirely new conditions of production and intercourse, and therefore intervene under entirely new circumstances. Did not the introduction of our present banks in its time revolutionise the conditions of production? Would modern large-scale industry have become possible without the concentration of credit which this effected; without the interest from the national debt which this created in opposition to rent of land, thereby creating finance in opposition to landed property, the MONEYED INTEREST in opposition to the LANDED INTEREST? Would the joint-stock companies, etc., and the thousand-fold forms of note circulation, which are as much products as they are conditions of production for modern commerce and modern industry, be possible without this new institute of circulation?

We have now arrived at the basic question, which is no longer connected with our point of departure. The general question is: is it possible to revolutionise the existing relations of production and the corresponding relations of distribution by means of changes in the instrument of circulation—changes in the organisation of circulation? A further question: can such a transformation of circulation be accomplished without touching the existing relations of production and the social relations based on them? If every such transformation of circulation were itself to presuppose changes in the other conditions of production and social upheavals, that would of course be the end of the doctrine which advocates smart gimmicks in the sphere of circulation *in order to* prevent changes from assuming a violent character on the one hand, and on the other to cast the changes themselves in the role not of the premiss but on the contrary of the gradual result of reforms in the sphere of circulation. The fallacy of this basic

premiss would suffice to prove the same misunderstanding concerning the inner connection between the relations of production, distribution and circulation.

Of course, the historical example referred to above is not conclusive, since the modern institutions of credit were as much a result as a cause of the concentration of capital, representing only an aspect of this process, and the concentration of wealth may be accelerated as much by lack of circulation (as in ancient Rome) as by improved circulation.

It should further be investigated, or rather it would be relevant to the general question: whether the various civilised forms of money—metal coinage, paper money, credit notes, labour money (this last as a socialist form)—can achieve what is required of them without abolishing the production relation itself which is expressed in the category of money; and whether it is not then necessarily a self-defeating effort to seek to overcome the essential conditions of a relationship by effecting a formal modification within it. The various forms of money may correspond better to social production at various stages of its development; one form may remove certain shortcomings with which the other cannot cope. But none of them, so long as they remain forms of money, and so long as money remains an essential relation of production, can resolve the contradictions inherent in the money relationship, they can all only express these contradictions in one form or another. Though one form of wage labour may overcome the defects of another, none can overcome the defects of wage labour itself. One lever may overcome better than another the resistance of matter at rest. But all depend upon the fact that the resistance remains.

Naturally, the general question of the relationship of circulation to the other relations of production can be raised only at the conclusion. But at a first glance it is suspicious that Proudhon and his followers never once pose it in its pure form, but only occasionally declaim about it. Whenever it is touched upon, we shall have to examine it carefully.

What emerges immediately from Darimon's introduction is that he completely identifies *money circulation with credit*, which is an economic fallacy. (*Crédit gratuit*,^a incidentally, is only a hypocritical, philistine and timid reformulation of "*La propriété c'est le vol*".^{b 26} Instead of the workers *taking away* capital from the capitalists, the capitalists are to be compelled to *give* it to them.) This is another

^a Free credit.—*Ed.*

^b Property is theft.—*Ed.*

point to which we shall have to return.

In discussing the topic itself, Darimon gets no further than the point that the banks, which deal in credit, like the merchants, who deal in commodities, or the workers, who deal in labour, sell at a higher price when demand rises in relation to supply, i.e. they make it more difficult for the public to obtain their services at the very moment when the public most needs them. As we have seen, the Bank must do this, whether it issues convertible or inconvertible notes.

The policy of the Bank of France in October 1855 gave rise to an “*immense clameur*” (p. 4) and a “*grand débat*” between it and the spokesmen of the public. Darimon summarises, or rather claims to summarise, this debate. We follow him here only occasionally, because his résumé shows the weakness of both of the opposing parties—their continual desultory digressions, their blind tapping around among superficialities. Each of the opponents constantly drops his weapon in order to look for another. Neither manages to strike a blow, not only because they are constantly changing the weapons with which they should be fighting each other, but equally because they meet on one ground only to flee at once to another.

(From 1806 to 1855, the discount rate in France was never as high as 6%; for 50 years virtually *immuable à 90 jours le maximum de l'échéance des effets de commerce*.^a)

The weakness of the arguments with which Darimon lets the Bank defend itself, and his own misconception, emerge e.g. from the following passage of his fictitious [I-6] dialogue:

The opponent of the Bank says:

“Owing to your monopoly you dispense and regulate credit. When you are harsh, the private discount brokers not only emulate you, but even exceed your harshness... By your measures you have brought business to a stop” (p. 5).

The Bank replies “*humblement*”:

“What do you want me to do?... To safeguard myself against foreigners I must safeguard myself against my own nationals... Above all, I must prevent the outflow of hard cash, without which I am nothing and can do nothing” (p. 5).

A folly is here imputed to the Bank. It is made to evade the question, to take refuge in a general phrase, so that it may be answered with a general phrase. In this dialogue the Bank shares Darimon's illusion that it really regulates credit by means of its monopoly. In fact, the power of the Bank only begins where the

^a For 50 years the term of bills of exchange remains virtually unchanged at 90 days.—*Ed.*

power of the private “*escompteurs*”^a ends, that is, at a moment when its own power is already extraordinarily limited. Suppose the Bank were to allow the discount rate to remain at 5% at a time when the MONEY MARKET WAS IN AN EASY STATE, and when everyone was therefore discounting at 2½%. The *escompteurs*, instead of emulating the Bank, would discount all its business under its very nose. Nowhere is this shown more clearly than in the history of the Bank of England after the 1844 Act,²⁷ which made the Bank a real rival of the PRIVATE BANKERS in the discount business, etc. The Bank of England, in order to secure itself a share, and a growing share, of the discount business during the periods of EASINESS in the money market, was continually forced to lower its discount rate, not only to the level maintained by the PRIVATE BANKERS, but often below it. Its “regulation of credit” is therefore to be taken *cum grano salis*,^b whereas Darimon makes his superstitious belief in the Bank's absolute control of the money market and of credit the starting point of his argument.

Instead of critically examining the conditions of the Bank's real power over the money market, he at once clings to the phrase that CASH is its supreme concern and that it must prevent its outflow abroad. A professor of the Collège de France²⁸ (Chevalier) replies:

“Gold and silver are commodities just like any other... The only use of its bullion reserves is to be sent abroad for purchases in times of need.”

The Bank replies:

“Metallic money is not a commodity like any other; it is an instrument of exchange, and, by virtue of this title, it enjoys the privilege of laying down the law for all other commodities.”

Here Darimon jumps in between the combatants:

“Therefore one must attribute not only the present crisis but also the periodic commercial crises to this privilege enjoyed by gold and silver of being the only authentic instruments of circulation and exchange.”

To avoid all the inconveniences of crises,

“it would be sufficient for gold and silver to become commodities just like any other, or, to be precise, for all commodities to become instruments of exchange of the same rank (*au même titre*) (by virtue of the same title) as gold and silver; for products to be truly exchanged for products” (pp. 5-7).

Shallowness with which the controversy is here presented. When the Bank issues drafts on money (notes), and promissory notes on

^a Discount brokers.—*Ed.*

^b With a grain of salt.—*Ed.*

capital which are repayable in gold or silver (deposits), it is, self-evidently, only up to a point that it can look on and tolerate the diminution of its bullion reserves without taking steps against it. This has nothing to do with the theory of metallic money. We shall return to Darimon's theory of crises.

In the section entitled *Petite histoire des crises de circulation*,^a Mr. Darimon ignores the English crisis of 1809-11, and confines himself for 1810 to mentioning the appointment of the Bullion Committee. For 1811 he again ignores the real crisis (which began in 1809) and confines himself to mentioning the adoption by the House of Commons of the resolution that

"the depreciation of the notes against bullion resulted from the rise in the price of bullion, not from the depreciation of paper money",

and Ricardo's pamphlet^b which asserts the opposite, and which is supposed to conclude:

"Money, in its most perfect state, is paper money" ([Darimon,] pp. 22, 23).

The crises of 1809 and 1811 were important in this respect because the Bank at that time issued inconvertible notes, hence the crises could not possibly have resulted from the convertibility of the notes into gold (metal), and hence also could not possibly have been prevented by the abolition of convertibility. Like a nimble tailor Darimon skips over these facts which refute his theory of crises. He clings to Ricardo's aphorism, which had nothing to do either with the question at issue or with the subject matter of the pamphlet—the depreciation of banknotes. He ignores the fact that Ricardo's theory of money has been totally refuted, as have been its false assumptions that the Bank controls the amount of notes in circulation, that the amount of means of circulation determines prices, whereas on the contrary prices determine the amount of means of circulation, etc. In Ricardo's time no detailed investigations into the phenomena of money circulation were yet available. This by the way.

Gold and silver are commodities like the others. Gold and silver are not commodities like the others: as universal instruments of exchange they are privileged commodities and degrade the other commodities by virtue of this very privilege. This is the final analysis to which Darimon reduces the antagonism. His final

^a Darimon's title of this section is "Petite histoire des banques de circulation" (*De la réforme des banques*, p. 20).—Ed.

^b *The High Price of Bullion a Proof of the Depreciation of Bank Notes.*—Ed.

decision is: abolish this privilege of gold and silver, demote them to the level of all other commodities. Then you do not abolish the specific evil of gold and silver money, or of notes convertible into gold and silver. You do away with all evils. Or rather promote all commodities to the monopoly status now possessed by gold and silver. Let the Papacy remain, but make everyone Pope. Do away with money by turning every commodity into money and endowing it with the specific properties of money.

Here the question arises whether the problem does not express its own absurdity, and hence whether the impossibility of a solution does not lie already in the conditions set by the problem. The answer can often consist only in the critique of the question, can often be provided only [I-7] by denying the question itself.

The real question is: does not the bourgeois system of exchange itself make a specific instrument of exchange necessary? Does it not of necessity create a special equivalent of all values? One form of this instrument of exchange, or of this equivalent, may be handier, more appropriate, entail fewer inconveniences than another. But the inconveniences resulting from the existence of a special instrument of exchange, of a special and yet general equivalent, are bound to reproduce themselves (if in different ways) in every form. Darimon naturally passes over this question with enthusiasm. Abolish money and do not abolish it! Abolish the exclusive privilege which gold and silver possess by virtue of their exclusive status as money, but convert all goods into money, i.e. give to all in common a property which, bereft of exclusiveness, no longer exists.

In the bullion drains there does indeed appear a contradiction which Darimon conceives and tries to resolve equally superficially. It becomes apparent that gold and silver are not commodities just like the others, and modern political economy is suddenly shocked always to find itself temporarily back among the prejudices of mercantilism. The English economists try to resolve the difficulty by making a distinction. What is required at times of such monetary crises, they say, is not gold and silver as money, gold and silver as coin, but gold and silver as capital. They forget to add: capital, but capital in the definite form of gold and silver. Why otherwise the outflow of precisely these commodities, while most others are depreciating from a lack of outflow, if capital were exportable in any form?

Let us take particular examples: a DRAIN resulting from a bad domestic harvest of some staple food (e.g. grain); or from a bad harvest abroad and therefore a rise in the price of an imported

object of mass consumption (e.g. tea); a DRAIN because of a crop failure in vital industrial raw materials (cotton, wool, silk, flax); a DRAIN caused by excessive imports (through speculation, war, etc.). The replacement of a sudden or lasting shortage (of grain, tea, cotton, flax, etc.) causes the nation a double loss in case of a bad domestic harvest. A part of the country's invested capital or labour is not reproduced—a real loss of production. A part of the reproduced capital must be released to fill the gap, a part, that is, which is not simply arithmetically proportionate to the shortfall, for the price of the scarce product rises, and necessarily so, on the world market, because of the reduced supply and increased demand.

It is necessary to investigate closely what such crises would be like in the absence of the money factor, and what specific determinants money introduced within the given relationships. (*Bad grain harvests* and *excessive imports* the chief cases. War self-evidently too, since in economic terms it is the direct equivalent of a nation throwing a part of its capital into the water.)

The case of a bad grain harvest: comparing the nation affected with another, it is clear that its capital (not only its real wealth) has diminished, as clear as that the peasant who has burnt the dough for his bread and must now buy it from the baker is impoverished by the amount of his purchase. With respect to the domestic situation, the rise in the price of grain seems, so far as value is concerned, to leave everything unchanged, except that the reduced quantity of grain multiplied by the increased price in case of real bad harvests never equals the normal quantity multiplied by the lower price.

Suppose the wheat production of England were reduced to 1 quarter, and this 1 quarter fetched the same price as previously 30 million quarters of wheat. Then the nation, if we ignore the fact that it would lack the means for the reproduction of both life and grain, and if we assume that the working day needed for the reproduction of 1 quarter of wheat = a , would exchange $a \times 30$ million working days (production costs²⁹) for $1 \times a$ working days (product). The productive power of its capital would have declined millions of times, and the sum of values owned in the country would have been reduced, for each working day would have depreciated 30 million-fold. Every item of capital would now represent only $\frac{1}{30,000,000}$ of its former value, of its equivalent in production costs, although in the given case the nominal value of the nation's capital would not have diminished (apart from the depreciation of land) because the diminished value of the other products would be exactly compensated for by the increased value

of the 1 quarter of wheat. The 30 million-fold rise in the price of wheat would express an equal depreciation of all other products.

Incidentally, this distinction between home and abroad is quite illusory. The relationship of the nation which suffers the grain shortage to the foreign nation from which it buys, is identical to that of every individual in that nation to the farmer or grain merchant. The extra sum that he must expend for the purchase of grain is a direct diminution of his capital, of his disposable means.

In order not to confuse the issue by introducing non-essential influences, we must assume a nation with FREE TRADE in grain. Even if the imported grain were as cheap as the home-produced, the nation would be poorer to the extent of the capital not reproduced by the farmers. However, in the case we have assumed, the nation always imports as much foreign grain as may be imported at the normal price. A growth in imports thus presupposes a rise in price.

The rise in the price of grain implies a fall in the price of all other commodities. The increased production costs (represented by the price) at which a quarter of grain is obtained, imply a reduction in the productivity of the capital that exists in all other forms. The increased amount spent on the purchase of grain implies a corresponding diminution in the amount available for the purchase of all other products, and therefore an automatic fall in their prices. With or without metallic or any other kind of money, the nation would find itself in a crisis, affecting not only grain but all other branches of production, not only because their productivity would be actually diminished, and the price of their output depreciated in relation to the value determined by normal production costs, but also because all contracts, bonds, etc., are based on the average price of products. E.g. x bushels of grain must be delivered for the national debt, but the production costs of these x bushels have been increased by a definite proportion.

Quite irrespective of money, the nation [I-8] would therefore be in a general crisis. Apart not only from money, but even from the exchange value of the products, the products would have depreciated, the productivity of the nation would have declined, in so far as all its economic relations are based upon an average productivity of its labour.

Thus the crisis caused by a bad grain harvest is in no case produced by the DRAIN OF BULLION, although it can be aggravated by attempts to stem this DRAIN.

In any case, we cannot follow Proudhon in saying that the crisis is due to the fact that the precious metals alone possess authentic

value in contrast to all other commodities^a; for the rise in the price of grain means first of all only that more gold and silver must be exchanged for a given quantity of grain, i.e. that the price of gold and silver has fallen in relation to that of grain. Gold and silver therefore share in the depreciation of all other commodities relative to grain, from which no privilege protects them. The depreciation of gold and silver against grain is identical with the rise in the price of grain. (Not quite correct. A quarter of grain rises from 50 s. to 100 s., i.e. by 50%, but cotton goods fall by 100%. Silver has fallen against grain by only 50%, but cotton goods (because of slack demand, etc.) by 100%, i.e. the fall in the price of other commodities is greater than the rise in the price of grain. But the contrary may also take place. For example, in recent years when grain temporarily rose by 100%, industrial products did not depreciate in anything like the proportion in which gold had done compared to grain. This circumstance does not affect the general argument for the moment.) Nor can gold be said to possess a privilege by virtue of the fact that, as coinage, its quantity is exactly and authentically determined. A thaler (silver) remains under all circumstances a thaler. So does a bushel of wheat remain a bushel, and a yard of linen remain a yard.

The depreciation of most commodities (labour included) and the ensuing crisis in the case of a significant failure of the grain harvest cannot therefore be naively ascribed to the export of gold, since the depreciation and the crisis would occur even if no domestic gold were exported and no foreign grain imported. The crisis reduces itself simply to the law of supply and demand, which, as we all know, operates much more sharply and energetically in the sphere of primary necessities—at the national level—than in all other spheres. The export of gold is not the cause of the grain crisis, but the grain crisis is the cause of the export of gold.

Gold and silver in themselves can be said to affect the crisis and to aggravate its symptoms in only two ways: (1) In so far as the export of gold might be hindered because of the bullion-holding conditions by which the banks are bound; in so far as the measures taken by the Bank to counteract this gold export might adversely affect internal circulation. (2) In so far as the export of gold becomes necessary, because foreign nations will accept capital only in the form of gold and in no other form.

^a P. J. Proudhon, *Système des contradictions économiques, ou Philosophie de la misère*, Vol. I, pp. 68-70.—Ed.

Difficulty No. 2 can persist even if difficulty No. 1 is removed. The Bank of England experienced it precisely during the period when it was legally authorised to issue inconvertible notes. The notes fell against gold bullion, but equally the MINT PRICE OF GOLD fell against its bullion price. Gold had become a special kind of commodity as distinct from banknotes. It can be said that the note remained dependent upon gold in so far as it nominally represented a definite quantity of gold for which IN FACT it was not redeemable. Gold remained its denominator although the note was legally no longer exchangeable for this quantity of gold at the Bank.

There is surely no doubt (?) (this is to be investigated later and is not directly relevant to the OBJECT IN QUESTION) that so long as paper money is denominated in terms of gold (i.e. so long as e.g. a £5 note is the paper representative of 5 sovereigns) the convertibility of the note into gold remains for it an economic law, whether or not it exists *politically*. Even from 1799 to 1819³⁰ the notes of the Bank of England continued to state that they represented the value of a definite quantity of gold. How can this assertion be put to the test other than by the fact that the banknote actually commanded such and such a quantity of bullion? From the moment that a £5 note could no longer be exchanged for bullion equal to 5 sovereigns, the note was depreciated, even though it WAS INCONVERTIBLE. The equality of the face value of the note with a definite value of gold immediately entered into contradiction with the actual inequality between notes and gold.

Thus the controversy in Britain among those who adhere to gold as the denominator of the note, is not really about the convertibility of the note into gold—which is only the practical equation that the face value on the note expresses theoretically—but about how this convertibility is to be secured: whether by the legal imposition of restrictions on the Bank, or by non-interference. The advocates of the latter course assert that with a bank of issue which gives advances on bills of exchange, and whose notes therefore have a secured reflux, convertibility is guaranteed ON THE AVERAGE, and that their opponents never achieve more than this average security anyhow. The latter is a FACT. The average, incidentally, is not to be despised, and calculations of the average must constitute the basis of the banks' activities no less than they do that of all insurance companies, etc. In this respect the Scottish banks above all are justly pointed to as models.

The strict bullionists for their part argue that they take [I-9]

convertibility seriously—that the necessity of convertibility is imposed by the denomination of the note itself, that the obligation of the bank to convert maintains the convertibility of the note and restrains OVER-ISSUE, and that their opponents are disguised supporters of inconvertibility. Between these two positions a variety of shadings, a mass of little “*espèces*”.^a

Finally, the defenders of inconvertibility, the uncompromising anti-bullionists, are, without knowing it, disguised supporters of convertibility just as much as their opponents are of inconvertibility, because they allow the existing denomination of the note to remain and in practice therefore make the equation of a note of a particular denomination to a particular quantity of gold the measure of the full value of their notes.

In Prussia there is paper money with forced currency. (A reflux is assured for it in so far as a proportion of taxes must be paid in paper money.) These paper thalers are not drafts on silver, they are not legally exchangeable for it at any bank, etc. They are not loaned by any commercial bank against bills of exchange, but are paid out by the government to meet its expenses. But the notes are denominated in terms of silver. A paper thaler is supposed to represent the same value as a silver thaler. If either confidence in the government were seriously undermined, or this paper money were issued in greater amounts than required by the needs of circulation, the paper thaler would in practice cease to be equal to the silver thaler; it would depreciate, because it would have sunk below the value expressed by its denomination. It would even depreciate if none of the above-mentioned circumstances obtained, but if an exceptional demand for silver, e.g. for export, were to give silver a privilege over the paper thaler.

Convertibility into gold and silver is therefore in practice the measure of value of any paper currency denominated in terms of gold or silver, whether that currency is legally convertible or not. A nominal value is only a shadow running alongside its body; whether the two coincide must be proved by the actual convertibility (exchangeability) of the note. A decline of real value below nominal value is depreciation. Actual parity of nominal and real values, exchangeability, is convertibility. With [legally] inconvertible notes, convertibility shows itself not at the counter of the bank but in the day-to-day exchange between paper money and the metallic currency whose denomination it bears. Actually, the convertibility of convertible notes is already endangered when it is

^a Species.—Ed.

no longer confirmed by normal business throughout the country but by special large experiments at the counter of the bank.

In the rural areas of Scotland, paper money is actually preferred to metallic currency. Before 1845, when the English Act of 1844 was imposed on it, Scotland was naturally affected by all English social crises, and in many cases to a higher degree, for in Scotland the CLEARING OF THE LAND was carried out more ruthlessly.³¹ Nevertheless, Scotland did not experience a real monetary crisis (that a few banks here and there went bankrupt, because they extended credit recklessly, is not relevant here); there was no depreciation of banknotes, no complaints or investigations as to whether the quantity of CURRENCY in circulation was sufficient or not, etc.

Scotland is important in this context, because it shows on the one hand how the money system on its present basis can be completely regulated—all the evils deplored by Darimon abolished—without abandonment of the present social basis; indeed, while its contradictions, its antagonisms, the conflict of classes, etc., actually reach a higher degree than in any other country in the world.

It is significant that Darimon, as well as Émile Girardin, his protector, who writes an introduction to his book and who complements his practical swindling with theoretical utopianism, does not find the antithesis to the monopoly banks like the BANK OF ENGLAND and the BANK OF FRANCE in Scotland, but looks for it in the United States, where the banking system, because of the State charters required, is only nominally free, and where you do not have free competition among banks but a federative system of monopoly banks.

The Scottish banking and money system was indeed the most dangerous reef for the illusions of the circulation-tricksters. Gold and silver coins (where a bimetallic legal STANDARD does not exist) are not said to depreciate whenever their relative value compared to all other commodities changes. Why not? Because they are their own denominator; because their denomination is not that of a value, i.e. they are not valued in terms of a third commodity, but only express fractional parts of their own material. 1 sovereign=so much gold of such and such a weight.

Gold is therefore nominally undepreciable, not because it alone expresses an *authentic value*, but because as money it expresses *no value AT ALL*, only a certain quantity of its own material, because its own quantitative measure is stamped on its brow. (Later to be investigated more closely whether this distinctive feature of gold

and silver money is ultimately an immanent property of every form of money.)

Misled by this nominal undepreciability of metallic currency, Darimon and his colleagues see only the one aspect which becomes apparent during a crisis, the appreciation of gold and silver against almost all other commodities; they fail to see the other aspect, the *depreciation* of gold and silver *or money* against all other commodities (with the possible, but not invariable, exception of labour) in periods of so-called *prosperity*, the periods of a temporary general rise in prices. As this depreciation of metallic money (and all types of money based on it) always precedes its appreciation, they should have posed their problem the other way round: how to prevent the periodic recurrence of the depreciation of money (in their language, how to abolish the privileged status of commodities as against money). Formulated in this way, the riddle would have solved itself at once: abolish the rise and fall in prices. That means, do away with prices. That, in turn, means abolishing exchange value, which, in its turn, requires the abolition of the system of exchange corresponding to the bourgeois organisation [I-10] of society. This last entails the problem of revolutionising bourgeois society economically. Then it would have become evident from the start that the evils of bourgeois society cannot be remedied by bank "transformations" or the establishment of a rational "money system".

Convertibility, legal or otherwise, therefore remains a requirement of any kind of money whose denomination makes it into a token of value, i.e. equates it quantitatively to a third commodity. This equation already implies its antithesis, the possibility of non-equivalence; just as convertibility implies its opposite, inconvertibility, and appreciation implies depreciation, $\delta\upsilon\nu\acute{o}\mu\epsilon\iota$,^a as Aristotle would say.

Let us assume, for instance, that the sovereign was not only called "sovereign", which is a mere title of honour for the x th fraction of an ounce of gold (accounting name), as "metre" is for a particular length, but that it was called, *SAY*, x hours of labour time. $\frac{1}{x}$ ounce of gold is in fact nothing but materialised, objectified, x hours of labour time. But the gold is past labour time, defined labour time. This denomination would make a particular quantity of labour in general into its standard. A pound of gold would have to be CONVERTIBLE into x hours of labour time, would have to

^a Potentially.— *Ed.*

be able to purchase these at any time. As soon as it could purchase more or less labour, it would appreciate or depreciate; in the latter case, its convertibility would cease to exist.

Not the labour time incorporated in [previous] output, but the currently necessary labour time determines value. Take the pound of gold itself: let it be the product of 20 hours of labour time. Suppose that for some reason it later requires only 10 hours to produce a pound of gold. The pound of gold, whose denomination asserts that it=20 hours of labour time, would now only=10 hours of labour time, since 20 hours of labour time=2 pounds of gold. Ten hours of labour in fact exchange for 1 pound of gold; therefore 1 pound of gold can no longer exchange for 20 hours of labour.

Gold money with the plebeian denomination x hours of labour, would be more subject to fluctuations than any other kind of money, and especially more than the present gold money; because gold cannot rise or fall against gold (being equal to itself), while the past labour time embodied in a definite quantity of gold must continually rise or fall against present living labour time. To maintain its convertibility, the productivity of an hour's labour would have to be kept constant. Indeed, according to the general economic law that production costs fall continually, that living labour becomes more and more productive, and that the labour time objectified in products therefore continually depreciates, constant depreciation would be the inevitable fate of this gold labour money. One could say that, to overcome this drawback, the denomination of labour hours should be borne not by gold but by paper money, a mere token of value, as was suggested by Weitling³² and before him by Englishmen and after him by Frenchmen, among them Proudhon and company. The labour time embodied in the paper itself would be of as little account as the paper value of banknotes. The one would simply be a representative of labour hours, as the other is of gold or silver. If an hour of labour became more productive the token that represented it would rise in purchasing power and conversely, exactly as now a £5 note buys more or less according to the rise or fall in the relative value of gold in comparison to other commodities.

In accordance with the same law by which the gold labour money would be subject to constant depreciation, the paper labour money would enjoy constant appreciation. That is precisely what we want: the worker would be glad of the rising productivity of his labour, instead of, as now, creating proportionately more alien

wealth and his own depreciation. So say the socialists.

BUT, UNFORTUNATELY, THERE ARISE SOME SMALL SCRUPLES. *D'abord*,^a once we assume the existence of money, even if only as labour-time tickets, we must also assume accumulation of this money and contracts, obligations, interest payments, etc., which would be entered into in terms of this money. The accumulated tickets would continually appreciate, as well as the newly issued ones. Hence, on the one hand, the growing productivity of labour would benefit those who do not work, while on the other hand debts contracted earlier would keep pace with the greater productivity of labour. The rise and fall in the value of gold or silver would not matter at all if the world's business could be started anew at each instant, and obligations to pay a definite quantity of gold did not survive fluctuations in the value of gold. The same is the case with the labour-time ticket and the productivity of an hour's labour.

The point to be examined here is the convertibility of the labour-time tickets. We shall arrive at the same end if we make a digression here. Although it is still too early, we may make a few remarks about the delusions that underlie the labour-time ticket, and peer into the deepest secret that links Proudhon's theory of circulation with his general theory, his theory of the determination [I-11] of value. We find the same link, for example, in Bray and Gray. The possible elements of truth underlying it to be examined later. (Before that, INCIDENTALLY: banknotes considered simply as drafts on gold can never be issued in excess of the quantity of gold money that they purport to replace, without being depreciated. Three bank drafts of £15 each, which I issue to three separate creditors on the same £15 in gold, are in fact only drafts on $£^{15}/3 = £5$ each. Each of these notes would therefore be depreciated to $33\frac{1}{3}\%$ from the outset.)

The *value* (the real exchange value) of all commodities (including labour) is determined by their production costs, in other words, by the labour time required for their production. Their *price* is this exchange value of theirs expressed in money. The replacement of metallic currency (and the paper or credit money denominated in terms of it) by labour money deriving its denomination from labour time itself, would therefore equate the *real value* (exchange value) of commodities and their *nominal value, price, money value*. Equation of *real value and nominal value, of value and price*. But this would be attained only on the assumption that

^a To begin with.—Ed.

value and *price* are only *nominally* distinct. But such is by no means the case. The value of commodities determined by labour time is only their *average value*. An average which appears as an external abstraction in so far as it is obtained by calculation as the average over a period of time, e.g. 1 pound of coffee, 1 shilling, if the average price of coffee is taken over a period of, say, 25 years. But this average is very real if it is recognised as both the driving force and the moving principle of the fluctuations which occur in the prices of commodities during a particular period of time.

This reality is not only of theoretical importance. It also constitutes the basis of commercial speculation, where the calculation of probability proceeds from both the mean average price, which is taken as the centre of the fluctuations, and the average heights and depths of these fluctuations above or below this centre. The *market value* of commodities is always different from this average value and always stands either below or above it.

The market value equates itself to the real value by means of its continual fluctuations, not by an equation with real value as some third thing, but precisely through continual inequality to itself (not, as Hegel would say, by abstract identity but by a continual negation of the negation,^a i.e. of itself as the negation of the real value). I have shown in my pamphlet against Proudhon, and it need not be gone into further at this point, that the real value—independently of its dominance over the fluctuations of the market price (apart from its being the *law* of these fluctuations)—negates itself again and brings the real value of the commodities continually into contradiction with its own determination, depreciates or appreciates the real value of existing commodities.^b

Price, therefore, differs from *value*, not only as the nominal differs from the real; not only by its denomination in gold and silver; but also in that the latter appears as the law of the movements to which the former is subject. But they are always distinct and never coincide, or only quite fortuitously and exceptionally. The price of commodities always stands above or below their value, and the value of commodities itself exists only in the UPS AND DOWNS of commodity prices. Demand and supply continually determine the prices of commodities; they never coincide or do so only accidentally; but the costs of production

^a G. W. F. Hegel, *Wissenschaft der Logik*, 2. Buch, 1. Abschnitt, 2. Kapitel, A. Die Identität.—Ed.

^b Karl Marx, *The Poverty of Philosophy. Answer to the "Philosophy of Poverty" by M. Proudhon* (see present edition, Vol. 6, pp. 131-37).—Ed.

determine for their part the fluctuations of demand and supply.

The gold or silver in which the price of a commodity, its market value, is expressed, is itself a particular quantity of stored up labour, a certain measure of materialised labour time. On the assumption that the production costs of the commodity and of the gold and silver remain constant, the rise or fall of its market price means only that a commodity equal to x labour time continually commands on the market something more or less than x labour time, stands above or below its average value determined by labour time.

The first basic illusion of the champions of labour-time tickets consists in this: that by abolishing the *nominal distinction* between real value and market value, between exchange value and price, by expressing value in labour time itself instead of in a particular objectification of labour time, say, gold and silver, they also remove the real distinction and contradiction between price and value. On that basis it is self-evident how the simple introduction of labour-time tickets would remove all crises, all defects of bourgeois production. The money price of commodities=their real value; demand=supply; production=consumption; money simultaneously abolished and retained; the labour time whose product the commodity is, which is materialised in the commodity, would need merely to be stated to produce its corresponding counterpart in a token of value, in money, in labour-time tickets. Each commodity would thus be directly transformed into money, and gold and silver for their part reduced to the rank of all other commodities.

We do not need to dwell on the fact that the contradiction between exchange value and price, between the average price and the prices whose average it is, the distinction between magnitudes and their average magnitude, [I-12] cannot be eliminated by abolishing the mere *difference of name* between them, i.e. by instead of saying that 1 lb. of bread costs 8d., saying that 1 lb. of bread= $\frac{1}{x}$ hour of labour. Conversely, if 8d.= $\frac{1}{x}$ hour of labour, and if the labour time materialised in one pound of bread is more or less than $\frac{1}{x}$ hour of labour, then, because the measure of value would also be the element in which the price is expressed, the difference between value and price, which is concealed in the gold or silver price, would be only too apparent. We should have an infinite equation: $\frac{1}{x}$ hour of labour (contained in 8d. or expressed by a ticket) would equal either more or less than $\frac{1}{x}$ hour of labour (contained in the pound of bread).

The labour-time ticket, which represents the *average labour time*,

would never correspond to the *actual labour time* and never be convertible into it. That is, the labour time objectified in a commodity would never command a quantity of labour money equal to itself, and vice versa. It would command more or less, just as now each fluctuation of market values is expressed in a rise or fall in their gold and silver prices.

The constant depreciation of commodities—over longer periods—against the labour-time tickets, of which we spoke earlier,³ would result from the law of the rising productivity of labour time, from the disturbances in relative value itself, which are created through its own inherent principle, labour time. The inconvertibility of the labour-time tickets, which we are now discussing, is nothing but another expression of the inconvertibility between real value and market value, exchange value and price. In contrast to all commodities, the labour-time ticket would represent an ideal labour time, which would exchange now for more, now for less, actual labour time, and which would have a separate, individual existence in this ticket corresponding to this real inequality. Once again the general equivalent, the means of circulation and measure of commodities would confront them as something individualised, following its own laws, alienated, i.e. with all the properties of our present money without performing its services. But confusion would reach quite a new peak, as the medium for comparing commodities, these objectified quantities of labour time, would not be a third commodity but their own measure of value, labour time itself.

Commodity *a*, the objectification of 3 hours of labour time, = 2 hour's labour-time tickets; commodity *b*, likewise the objectification of 3 hours of labour = 4 hours' labour-time tickets. This contradiction is indeed expressed in money prices, but in a concealed form. The distinction between price and value, between the commodity as measured by the labour time of which it is the product, and the product of the labour time for which it is exchanged, this distinction demands a third commodity as a measure, in which the real exchange value of the commodity is expressed. *Because price does not equal value, the element determining value, labour time, cannot be the element in which prices are expressed. For labour time would have to express itself at once as the determining and the non-determining element, as the equivalent and the non-equivalent of itself.* Because labour time as a measure of value exists only ideally, it cannot serve as the material for the comparison of prices. (This also

³ See this volume, pp. 72-73.—*Ed.*

explains how and why the value relationship assumes a material and distinct existence in [the form of] money. This point to be developed further.) The distinction between price and value demands that values as prices be measured by a yardstick other than their own. Price as distinct from value is necessarily *money price*. Here it becomes clear that the *nominal* distinction between price and value is conditioned by their *real* distinction.

[THE ORIGIN AND ESSENCE OF MONEY]

Commodity $a=1$ s. (i.e. equals $\frac{1}{x}$ silver); commodity $b=2$ s. (i.e. $\frac{2}{x}$ silver). Therefore commodity b =twice the value of commodity a . The value relationship between a and b is expressed by the proportion in which each exchanges against a definite quantity of a third commodity, silver; not against a value relationship.

Each commodity (product or instrument of production)=the objectification of a particular [quantity of] labour time. Its value, the proportion in which it is exchanged for other commodities or other commodities are exchanged for it, is equal to the quantity of labour time realised in it. If the commodity e.g.=1 hour's labour time, it can be exchanged for all other commodities which are the product of 1 hour's labour time. (This proposition is based on the assumption that exchange value=market value; real value=price.)

The value of a commodity is different from the commodity itself. The commodity is value (exchange value) only in exchange (real or imagined). Value is not only the exchangeability of this commodity in general, but its specific exchangeability. It is at once the indicator of the ratio in which the commodity exchanges for others and the indicator of the ratio in which it has already been exchanged for others (materialised labour time) in the process of production. Value is a commodity's quantitatively determined [I-13] exchangeability. Commodities, e.g. a yard of cotton and a quart of oil, considered as cotton and oil, are of course distinct, possess different properties, are measured in different units, are incommensurable. As values, all commodities are qualitatively equal and only quantitatively different, hence they can be measured in terms of each other and are mutually replaceable (exchangeable, convertible into each other) in definite quantitative proportions.

Value is their social relationship, their economic quality. A book that has a certain value, and a loaf that has the same value, are mutually exchangeable, they represent the same value, only in different materials. As value, the commodity is at the same time an

equivalent for all other commodities in a particular ratio. As value, the commodity is an equivalent; as an equivalent, all its natural properties are extinguished; it no longer bears any particular qualitative relationship to other commodities, but it is the general measure, the general representative, and the general means of exchange for all other commodities. As value it is *money*.

But because the commodity, or rather the product or instrument of production, is distinct from itself as value, it is also, as value, distinct from itself as a product. Its property as value not only can, but must, at the same time acquire an existence distinct from its natural existence. Why? Because, since commodities as values are only quantitatively different from each other, every commodity must be qualitatively distinct from its own value. Its value therefore must also have an existence qualitatively distinguishable from it, and in the actual exchange this separability must become an actual separation, because the natural distinctions between commodities must come into contradiction with their economic equivalence; the two can exist alongside one another only through the commodity acquiring a dual existence, a natural existence and alongside it a purely economic one, in which it is a mere sign, a letter for a relationship of production, a mere symbol for its own value.

As value, every commodity is uniformly divisible; in its natural existence, it is not. As value, it remains the same, no matter how many metamorphoses and forms of existence it goes through; in reality, commodities are exchanged only because they are different and correspond to different systems of needs. As value, it is general, as an actual commodity it is something particular. As value, it is always exchangeable; in actual exchange it is exchangeable only if it fulfils certain conditions. As value, the extent of its exchangeability is determined by itself: exchange value expresses precisely the ratio in which a commodity replaces other commodities; in actual exchange, it is exchangeable only in quantities related to its natural properties and corresponding to the needs of the exchangers.

(In short, all the properties that are enumerated as particular properties of money are properties of the commodity as exchange value; [properties] of the product as value as distinct from the value as product.) (The exchange value of the commodity, as a special existence alongside the commodity itself, is *money*: the form in which all commodities are equated, compared, measured; the form into which all commodities are dissolved, and which dissolves itself in all commodities; the general equivalent.)

In calculations, accountancy, etc., we are constantly transforming commodities into symbols of value, fixing them as mere exchange values, abstracting from their material composition and all their natural properties. On paper, in the head, this metamorphosis is produced by a simple process of abstraction; but in actual exchange a real *mediation* is necessary, a means by which this abstraction is effected. In its natural properties, the commodity is neither continually exchangeable, nor exchangeable with *every other commodity*; it is not exchangeable in its natural identity with itself, but only as something different from itself, only posited as exchange value. We must first convert it into itself as exchange value, in order to compare and to exchange this exchange value with others.

In the most primitive barter trade, when two commodities are exchanged for one another, each is first equated to a figure that expresses its exchange value, e.g. among certain Negro tribes on the West African coast as equal to x BARS.^a The one commodity is equal to 1 BAR, the other to 2 BARS. In this proportion they are exchanged. The commodities are first transformed in the head and in speech into BARS before they are exchanged for one another. They are valued before they are exchanged, and in order to be valued they must be brought into a definite numerical relationship to each other. In order to bring them into such a numerical relationship and to make them commensurable, they must obtain the same denomination (unit). (The BAR possesses a merely imaginary existence, and indeed in general a relationship can obtain a specific embodiment, can itself be individualised, only through abstraction.) To cover the surplus of one value over the other, to liquidate the balance, payment in money becomes necessary in the most primitive barter trade as well as in present-day international trade.

Products (or activities) exchange only as commodities; commodities themselves exist in exchange only as values; only as such are they comparable. To determine the weight of bread that I can exchange for a yard of linen cloth, I first equate the yard of linen to its exchange value, i.e. to $1/x$ labour time. Likewise I equate the pound of bread to its exchange value, $1/x$ or $2/x$, etc., labour time. I equate each commodity to a third, i.e. [I-14] I posit it as unequal to itself. This third thing, distinct from the other two since it ex-

^a See W. Jacob, *An Historical Inquiry into the Production and Consumption of the Precious Metals*, Vol. II, London, 1831, pp. 326-27; D. Urquhart, *Familiar Words as Affecting England and the English*, London, 1856, p. 112.—Ed.

presses a ratio, exists initially in the head, in the imagination, just as in general ratios can only be *thought* if they are to be fixed, as distinct from the subjects³³ which are in that ratio to each other.

When a product (or an activity) becomes exchange value, it is not only transformed into a particular quantitative ratio, a numerical ratio—namely into a number which expresses what quantity of other commodities is equivalent to it, is its equivalent, or in what proportion it is the equivalent of other commodities—it must at the same time be qualitatively transformed, converted into another element, so that both commodities become denominated quantities, in the same units, thus becoming commensurable.

The commodity must first be transformed into labour time, that is into something qualitatively different from itself (qualitatively different (1) because it is not labour time as labour time, but materialised labour time; labour time not in the form of movement, but in that of rest; not as process, but as result; (2) because it is not the objectification of labour time in general, which exists only in the imagination (is itself only labour separated from its quality, only quantitatively different labour), but is the definite result of a definite, naturally determined labour, qualitatively different from other labours) in order then to become comparable as a definite quantity of labour time, a definite magnitude of labour, with other quantities of labour time, other magnitudes of labour.

For mere comparison, for the valuation of products, for the notional determination of their value, it is enough to make this transformation in the head (a transformation in which the product exists simply as the expression of quantitative relationships of production). For the comparison of commodities, this abstraction is sufficient; for actual exchange, this abstraction must again be objectified, symbolised, realised through a token. The necessity arises as follows: (1) As we have already said, the commodities to be exchanged are both transformed in the head into common ratios of magnitudes, exchange values, and so valued against each other. If they are now to be actually exchanged, their natural properties come into contradiction with their determination as exchange values and mere denominated numbers. They are not arbitrarily divisible, etc. (2) In actual exchange, specific commodities are always exchanged for specific commodities, and the exchangeability of each commodity, like the proportion in which it is exchangeable, depends upon circumstances of place, time, etc.

But the transformation of a commodity into exchange value does not equate it with another specific commodity, but expresses

it as an equivalent, the ratio of its exchangeability to all other commodities. This comparison, which in the head is carried out at a stroke, is effected in reality only within a definite sphere, one determined by demand, and only in successive steps. (For example, I exchange little by little an income of 100 thaler, in accordance with my needs, against a whole range of commodities whose sum is equal to the exchange value of 100 thaler.)

Hence, in order to realise the commodity at a stroke as exchange value and to give it the general effect of exchange value, its exchange for a particular commodity is not sufficient. It must be exchanged for a third thing which is not itself a particular commodity but the symbol of the commodity as commodity, of the commodity's exchange value itself; *which therefore represents, say, labour time as such*, say, a piece of paper or leather which represents a certain portion of labour time. (Such a symbol presupposes general recognition; it can only be a social symbol; in fact, it only expresses a social relationship.)

This symbol represents certain portions of labour time, represents exchange value in such portions as are capable of expressing by simple arithmetic combinations all reciprocal relationships of exchange values. This symbol, this material sign of exchange value, is a product of exchange itself, not the execution of a preconceived idea. (IN FACT, the commodity which serves as the mediator of exchange is only transformed into money, into a symbol, gradually. As soon as that has happened, a symbol of the mediating commodity can in turn replace the commodity itself. It now becomes the conscious token of exchange value.)

Hence the process is simply this: the product becomes a commodity, i.e. a *mere element of exchange*. The commodity is transformed into exchange value. In order to equate it with itself as exchange value, it is exchanged for a token which represents it as exchange value as such. As such symbolised exchange value, it can then be exchanged again in certain proportions with any other commodity. Through the product becoming a commodity and the commodity becoming exchange value, it acquires, first in our mind, a dual existence. This mental duplication proceeds (and must proceed) to the point where the commodity appears dual in actual exchange: as natural product on the one hand, as exchange value on the other. I.e. its exchange value acquires an existence materially separated from it.

[I-15] The determination of the product as exchange value therefore necessarily brings it about that the exchange value acquires an existence apart from the product, detached from it.

Exchange value detached from the commodities themselves, and itself existing as a commodity alongside them, is—*money*. In *money*, all the properties of a commodity as exchange value appear as an object distinct from the commodity, as a social form of existence detached from the commodity's natural form of existence. (This is to be demonstrated further by enumerating the ordinary properties of money.) (The material used to express this symbol is a matter of some consequence, however varied it has been historically. As society develops it also evolves—along with the symbol—the material that more and more corresponds to the symbol, though it later strives to free itself from that material again; a symbol, if it is not arbitrary, requires certain conditions as regards the material in which it is presented. Thus, e.g. the signs for words possess a history; alphabetic script, etc.)

The exchange value of a product thus produces money alongside the product. Just as it is impossible to abolish complications and contradictions arising from the existence of money alongside specific commodities by changing the form of money (although difficulties inherent in a lower form of money may be avoided by a higher form), it is likewise impossible to abolish money itself, so long as exchange value remains the social form of products. It is essential to understand this clearly, so as not to set oneself impossible tasks, and to know the limits within which monetary reform and changes in circulation can remodel the relations of production and the social relations based upon them.

The properties of money (1) as measure of commodity exchange; (2) as means of exchange; (3) as representative of commodities (for that reason as the object of contracts); (4) as universal commodity existing alongside the particular ones, all follow simply from its role as objectified exchange value separated from the commodities themselves. (By virtue of its property as a universal commodity in relation to all others, as the embodiment of their exchange value, money is also the realised and always realisable form of capital, the form in which capital is always acceptable, as is demonstrated by the bullion DRAINS. It was owing to this property that capital appeared historically first only in the form of money. It explains moreover the connection of money with the rate of interest and its influence thereon.)

The more production develops in such a way that every producer becomes dependent upon the exchange value of his commodity, i.e. the more the product really becomes exchange

value, and exchange value becomes the immediate object of production, the more must *money relationships* develop, and with them the contradictions immanent in *money relationships*, immanent in the relationship of the product to itself as money. The need for exchange and the transformation of the product into pure exchange value progresses in the same measure as the division of labour, i.e. with the social character of production. But with the growth of the latter grows the power of *money*, i.e. the exchange relation establishes itself as a power external to and independent of the producers. What originally appeared as a means to promote production turns into a relationship alien to the producers. In proportion as the producers become dependent upon exchange, exchange appears to become independent of them; the rift between the product as product and the product as exchange value appears to widen. Money does not create this opposition and this contradiction; on the contrary, their development creates the apparently transcendental power of money.

(To be developed: the influence of the transformation of all relationships into money relationships; of taxes in kind into taxes in money, rent in kind into money rent, feudal military service into mercenaries, in general of all personal services into monetary dues, of patriarchal, slave, serf, guild labour into pure wage labour.)

The product becomes a commodity; the commodity becomes exchange value; the exchange value of the commodity is its immanent monetary attribute; this monetary attribute detaches itself from the commodity as money, assumes a general social existence separate from all specific commodities and their natural form of existence. The relationship of the product to itself as exchange value becomes its relationship to a money existing alongside it, or the relationship of all products to money existing outside all of them. As the actual exchange of products gives rise to their exchange value, so does their exchange value give rise to money.

The next question which confronts us is this: does not the existence of money alongside commodities contain from the outset contradictions inherent in this very relationship?

Firstly: The simple fact that the commodity has a dual existence, as a specific product which contains its exchange value in its natural form of existence as idea (in latent form), and then as revealed exchange value (*money*) which has discarded all connection with the product's natural form of existence; this dual existence in two *distinct* forms must lead to *differentiation*, and the

differentiation to *opposition* and [I-16] *contradiction*. The same contradiction between the particular nature of the commodity as a product and its general nature as exchange value, which necessitated its being posited as dual, on the one hand as particular commodity and on the other as money, the contradiction between its specific natural properties and its general social properties, contains from the outset the possibility that these two separate forms of existence of the commodity are not mutually convertible. The exchangeability of the commodity exists as a thing alongside it in money, as something distinct from it, no longer immediately identical with it. As soon as money is an external thing alongside the commodity, the exchangeability of the commodity for money is immediately linked to external conditions, which may or may not be present. It is subject to external circumstances.

The commodity is demanded in exchange because of its natural properties, because of the needs of which it is the object; money, on the other hand, only because of its exchange value, as exchange value. Whether therefore the commodity is convertible into money, whether it can be exchanged for it, whether its exchange value can be realised, depends upon circumstances which have no immediate connection with it as exchange value and are independent of it. The convertibility of the commodity depends upon the natural properties of the product; that of money coincides with its existence as symbolised exchange value. It therefore becomes possible that the commodity in its particular form as product can no longer be exchanged for or equated with its general form as money.

By existing outside the commodity as money, the exchangeability of the commodity has become something different from the commodity, alien to it, with which it must first be equated, to which it is therefore *d'abord* unequal; while the equating itself becomes dependent upon external circumstances, therefore a matter of chance.

Secondly: As the exchange value of a commodity has a dual form of existence, as a specific commodity and as money, so the act of exchange consists of two mutually independent acts: exchange of the commodity for money, exchange of the money for a commodity, buying and selling. Since these have now acquired a form of existence distinct from one another in space and time and indifferent to one another, their immediate identity ceases to exist. They may correspond or not; they may coincide or not; disparities may occur between them. True, they will always seek to get into balance, but the earlier direct equality has now been replaced by

the continual movement towards equalisation, which of course presupposes continual inequality. It is possible that consonance between them may now be fully attained only by passing through the most extreme dissonances.

Thirdly: With the separation of buying and selling, the division of exchange into two acts independent of each other in space and time, there emerges another new relationship.

As exchange itself splits into two mutually independent acts, so the general movement of exchange is severed from the exchangers, from the producers of the commodities. Exchange for the sake of exchange is separated from exchange for the sake of commodities. An estate of merchants intervenes between the producers, an estate which buys only in order to sell, and sells only in order to buy again, aiming in this operation not at the possession of the commodities as products but merely at the acquisition of exchange value as such, of money. (A merchant estate can arise even under conditions of mere barter. But since it has at its disposal only the surplus of production on both sides, its influence on production itself remains utterly secondary, as does its whole significance.)

To the acquisition of independence by exchange value in money, divorced from the products, corresponds the acquisition of independence by exchange (trade) as a function divorced from the exchangers. Exchange value was the measure of commodity barter; but the object of the latter was the direct possession of the exchanged commodity, its consumption (whether this consumption consisted in its use as a product for the direct satisfaction of needs, or as a tool of production).

The purpose of trade is not directly consumption but the acquisition of money, of exchange values. This dual nature of exchange—exchange for the sake of consumption and exchange for the sake of exchange—results in a new disparity. The merchant in his exchange is guided merely by the difference between purchase and sale of the commodity; but the consumer must once and for all replace the exchange value of the commodity he buys. Circulation, exchange within the merchant estate, and the final stage of circulation, exchange between the merchants and the consumers, however much they must ultimately condition each other, are determined by quite different laws and motives, and the greatest contradiction can develop between them. This separation alone can be the cause of trade crises. But since production is geared directly to trade and only indirectly to [I-17] consumption, it must get caught up in this incongruity between trade and

exchange for consumption just as much as, for its own part, it must produce it. (The relationships between demand and supply are completely reversed.) (The money business, in turn, becomes separated from trade in the strict sense.)

Aphorisms. (All commodities are transitory money; money is the eternal commodity. The further the division of labour develops, the more the immediate product ceases to be a means of exchange. The need arises for a general means of exchange, i.e. for a means of exchange that is independent of the specific production of any individual. In money, the value of things is separated from their substance. Money is originally the representative of all values; in practice it is the other way round, and all real products and all labour become representatives of money. In direct barter every article cannot be exchanged for every other article, and a particular activity can only be exchanged for particular products. The difficulties inherent in barter can be overcome by money only in so far as it generalises these difficulties, makes them universal. It is absolutely necessary that the forcibly separated elements which essentially belong together, should demonstrate by some violent eruption that theirs is a *separation* of what essentially belongs together., Unity is produced *by force*. As soon as the hostile separation leads to eruptions, the economists draw attention to the *essential unity* and ignore the alienation. Their apologetic wisdom consists in forgetting their own definitions at every decisive moment. The product as immediate means of exchange is still directly connected (1) with its natural properties, hence in every way limited by them; e.g. it can deteriorate, etc.; (2) with the direct need that another person has or does not have for this particular product, or might also have for his own product. Once the product of labour and labour itself are subjected to exchange, there comes a moment when they are separated from their owner. Whether they return to him from this separation in some other form becomes *a matter of chance*. In so far as money comes into the exchange, I am compelled to exchange my product for universal exchange value or universal exchangeability, and so my product becomes dependent upon general commerce and is torn out of its local, natural and individual boundaries. Precisely thereby it can cease to be a product.)

Fourthly: As exchange value in the form of money appears as the *general commodity* alongside all particular commodities, so exchange value, as money, thereby appears simultaneously as a *particular commodity* (since money has a particular existence) alongside all other commodities. Not only does this lead to the

incongruity that, as it exists only in exchange, money confronts the particular exchangeability of commodities as universal exchangeability and immediately extinguishes it, while the two must nevertheless always remain convertible into one another; but money also comes into contradiction with itself and its determination because it is itself a *particular* commodity (even if only a symbol) and thus, in its exchange with other commodities, is again subject to particular conditions of exchange which contradict its universal unconditional exchangeability. (Here no mention at all yet of money as fixed in the substance of a definite product, etc.)

In addition to its existence in the commodity, exchange value acquired an existence of its own in money; it was separated from its substance precisely because the natural determinateness of this substance contradicted its general determination as exchange value. Each commodity is identical (or comparable) to another as exchange value (*qualitatively*: each represents only a *quantitative* plus or minus of exchange value). Hence this identity, this unity of commodities, differs from their natural distinctiveness, and therefore appears in money both as the element common to them and also as a third thing confronting them. But on the one hand, exchange value naturally remains an inherent quality of commodities while at the same time existing outside them. On the other hand, in so far as money no longer exists as a quality of commodities, as their general attribute, but is individualised alongside them, it becomes itself a *particular* commodity among the other commodities (subject to the determination of demand and supply; can be divided into particular types of money, etc.).

It becomes a commodity like other commodities, and at the same time is not a commodity like other commodities. In spite of its general determination it is one exchangeable among other exchangeables. It is not only the general exchange value, but at the same time a particular exchange value among other particular exchange values. Here a new source of contradictions which manifest themselves in practice. (In the separation of the money business from actual trade, the special nature of money emerges yet again.)

We see, then, how it is inherent in money to fulfil its purposes by simultaneously negating them; to make itself independent in relation to commodities; to turn itself from a means into an end; to realise the exchange value of commodities by separating them from it; to facilitate exchange by splitting it; to overcome the difficulties of the direct exchange of commodities by [1-18] generalising them; to render exchange independent of the

producers to the same extent as the producers become dependent on exchange.

(It will later be necessary, before leaving this question, to correct the idealist manner of presentation which makes it appear as if it were merely a matter of the definitions of concepts and the dialectic of these concepts. Above all the phrase: the product (or activity) becomes a commodity; the commodity becomes exchange value; the exchange value becomes money.)

(*The Economist*, 24 January 1857. The following passage to be borne in mind when dealing with the BANKS^a:

“So far as the mercantile classes share, which they now do very generally, in the profits of banks—and may to a still greater extent by the wider diffusion of joint-stock banks, the abolition of all corporate privileges, and the extension of perfect freedom to the business of banking,—they have been enriched by the increased rates of money. In truth, the mercantile classes by the extent of their deposits, are virtually their own bankers; and so far as that is the case, the rate of discount must be to them of little importance. All banking and other reserves must of course be the results of continual industry, and of savings laid by out of profits; and consequently, taking the mercantile or industrious classes as a whole, they must be their own bankers; and it requires only that the principles of free trade should be extended to all businesses, to equalise or neutralise for them the advantages and disadvantages of all the fluctuations in the money market.”)

All contradictions of the *money system* and of the exchange of products under the money system lie in the development of the relationship of products as *exchange values*, of their role as *exchange value* or simply as *value*.

(*Morning Star*, 12 February 1857. “The pressure of money during last year, and the high rate of discount which was adopted in consequence, has been very beneficial to the profit account of the Bank of France. Its dividend has gone on increasing: 118 frs in 1852, 154 frs in 1853, 194 frs in 1854, 200 frs in 1855, 272 frs in 1856.”)

The following passage also to be noted:

“The English silver coins [are] issued at a price higher than the value of the silver they contain. A pound silver of 60-62 sh. in intrinsic value (£3 on an average in gold) [was] coined into 66 sh. The Mint pays the market price of the day, from 5 sh. to 5 sh. 2d. the ounce, and issues at the rate of 5 sh. 6d. the ounce. There are two reasons which prevent any practical inconvenience resulting from this arrangement” (of *silver tokens*, not of intrinsic value): “first, the coin can only be procured at the Mint, and at that price; as home circulation, then, it cannot be depreciated, and it cannot be sent abroad because it circulates here for more than

^a Here and further in this section, Marx quotes in English.—*Ed.*

its intrinsic value; and secondly, as it is a legal tender only up to 40 sh., it never interferes with the gold coins, nor affects their value."

Advise France likewise to

issue subordinate coins of silver tokens, not of intrinsic value, and limiting the amount to which they should be a legal tender.

But at the same time:

in fixing the quality of the coin, to take a larger margin between the intrinsic and the nominal value than we have in England, because the increasing value of silver in relation to gold may very probably, before long, rise up to our present Mint price, when we may be obliged again to alter it. Our silver coin is now little more than 5% below the intrinsic value: a short time since it was 10% (*The Economist*, 24 January 1857).

Now, it might be thought that the issue of labour-time tickets overcomes all these difficulties. (The existence of such tickets naturally presupposes conditions which are not directly given in the investigation of the relationship of exchange value and money, and without which both can and do exist: "public credit", bank, etc.; but all this not to be further discussed here; since of course the supporters of the labour-time ticket consider it as the *final* product of the "series",³⁴ which, if it corresponds most closely to the "pure" concept of money, "appears" last in reality.)

To begin with: if the conditions under which the price of a commodity=its exchange value are assumed as fulfilled, i.e. balance of demand and supply, of production and consumption, in the final analysis *PROPORTIONATE PRODUCTION*^a (the so-called relations of distribution are themselves relations of production), then the question of money becomes quite secondary, and especially the question whether blue or green tickets, metal or paper ones, are issued, or in what other form social book-keeping will be done. It is then the height of absurdity to keep up the pretence that investigations of the actual money relationships should be instituted.

[I-19] The bank, ANY BANK, issues the labour-time tickets. Commodity *a*=exchange value *x*, i.e. *x* labour time, exchanges for money representing *x* labour time. The bank would have to purchase the commodity, i.e. exchange it for its monetary representative in the same way as e.g. now the Bank of England must give notes for gold. The commodity, the material and

^a See J. Gray, *Lectures on the Nature and Use of Money*, Edinburgh, 1848, pp. 67, 108, 123, 125, 142-48 et al.—*Ed.*

therefore fortuitous [form of] existence of exchange value, is exchanged for the symbolic existence of exchange value as exchange value. There is thus no difficulty in converting it from the form of a commodity into that of money. The labour time it contains only needs to be authentically verified (which, incidentally, is not as easy as testing the fineness and weight of gold and silver) and produces thereby directly its *contrevaleur*^a: its monetary existence.

However we twist and turn the matter, in the final analysis it comes to this: the bank which issues the labour-time tickets purchases the commodity at its production costs, purchases all commodities, and what is more, such purchases cost the bank nothing except the production of slips of paper, and gives to the seller, instead of the exchange value that he possessed in a particular substantial form, the symbolic exchange value of the commodity, in other words a draft upon all other commodities to the amount of the same exchange value. Exchange value as such, of course, can exist only symbolically, although this symbol, in order to be usable as a thing—not only as imaginary form—possesses an objective existence; is not only an ideal notion, but actually represented in an objective way. (A yardstick can be held in the hand; exchange value measures, but it exchanges only by the yardstick passing from one hand to another.³⁵)

So the bank gives money for the commodity, money which is exactly a draft upon the exchange value of the commodity, i.e. upon all commodities of the same value: the bank purchases. It is the general purchaser, the purchaser not only of this or that commodity, but of all commodities. For its specific function is to convert every commodity into its symbolic existence as exchange value. But if it is the general buyer it must also be the general seller, not only the store in which all commodities are deposited, the general warehouse, but the owner of the commodities in the same sense as every other merchant.

I have exchanged my commodity *a* for the labour-time ticket *b*, which represents the commodity's exchange value, but only so that I may now change this *b* at will into any actual commodity *c*, *d*, *e*, etc. Now can this money circulate outside the bank, otherwise than between the possessor of the ticket and the bank? How is the convertibility of this ticket secured? There are only two possible cases. Either all possessors of commodities (products or labour) wish to sell them at their exchange value, or some wish to sell and

^a Equivalent.—*Ed.*

others do not. If they all wish to sell them at their exchange value, then they will not wait for a buyer to turn up by chance, but will go immediately to the bank, hand over the commodity and receive for it the bank's symbol of exchange value, money: they exchange it for the bank's own money. In this case, the bank is at once general buyer and seller in one person.

Or the contrary is the case. Then the bank ticket is merely paper, it only claims to be the generally recognised symbol of exchange value, but has no value. For the distinguishing characteristic of this symbol is that it not only represents exchange value, but *is* exchange value in actual exchange. In the second case, the bank ticket would not be money, or would be money valid only by convention between the bank and its customers, not on the general market. It would be the same as a dozen meal tickets bought at a restaurant, or a dozen theatre tickets. Both represent money, but only at this particular restaurant or this particular theatre. The bank ticket would have ceased to conform to the requirements of money, for it would circulate not amongst the GENERAL PUBLIC but only between the bank and its customers. We must therefore drop the latter supposition.

The bank would therefore be the general buyer and seller. Instead of notes, it could also issue CHEQUES and instead of those run simple BOOK ACCOUNTS. Whatever the sum of commodity values which *x* had sold to it, he would have a claim on it for the same sum of values in other commodities. A second attribute of the bank would be necessary: to establish authentically the exchange value of all commodities, i.e. the labour time materialised in them.

But its functions could not end with that. It would have to determine the labour time in which the commodities could be produced with the average means of labour, the time in which they must be produced.

But even this would not be sufficient. It would have to determine not only the time in which a certain quantity of output must be produced, and secure for the producers such circumstances as would equalise the productivity of their labour (hence also to equalise and order the distribution of the means of labour), but also what quantities of labour time [I-20] should be expended in the different branches of production. The latter would be necessary because, in order to realise exchange value, to make its money really convertible, production in general would have to be secured, and in such proportions that the needs of the partners in exchange were satisfied.

That is still not all. The exchange that occurs on the largest

scale is not that of commodities but that of labour for commodities. (More on this presently.) The workers would not sell their labour to the bank but would receive the exchange value of the whole product of their labour, etc. Strictly speaking, the bank would then be not only the general buyer and seller, but also the general producer. In fact, it would be either the despot governing production and managing distribution, or indeed nothing more than a BOARD to carry on the book-keeping and accounting for society working in common. The common ownership of the means of production is presupposed, etc., etc. The Saint-Simonians made their bank the papacy of production.

The dissolution of all products and activities into exchange values presupposes both the dissolution of all established personal (historical) relations of dependence in production, and the all-round dependence of producers upon one another. The production of each individual producer is dependent upon the production of all the others, as also the transformation of his product into means of subsistence for himself has become dependent upon the consumption of all the others. Prices are old; so is exchange; but both the increasing determination of the former by the production costs, and the increasing penetration of the latter into all relations of production only develop fully, and continue to develop ever more completely, in bourgeois society, the society of free competition. What Adam Smith in the true 18th-century manner placed in pre-history, what he assumed to have preceded history,^{a 36} is rather its product.

This mutual dependence expressed in the constant need for exchange and in exchange value as the universal mediator. The economists express it thus: everyone pursues his private interest and only his private interest, and thereby unintentionally and unwittingly serves the private interests of all, the general interest. The point is not that, in pursuing his private interest, everyone serves the totality of private interests and thus the general interest is attained. This abstract statement could rather lead to the conclusion that everyone mutually hinders the assertion of the interests of everyone else, and instead of a general affirmation, a general negation results from this *bellum omnium contra omnes*.^b

^a A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. I, London, 1835, p. 130.—Ed.

^b War of all against all—a phrase used by Thomas Hobbes in his treatises *De cive* (Ch. I) and *Leviathan* (Ch. XVII).—Ed.

The point is rather that private interest is itself already a socially determined interest and can be attained only within the conditions laid down by society and with the means provided by society, and is therefore tied 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 realisation, are given by social conditions that are independent of them all.

The absolute mutual dependence of individuals, who are indifferent to one another, constitutes their social connection. This social connection is expressed in *exchange value*, in which alone his own activity or his product becomes an activity or product for the individual himself. He must produce a general product—*exchange value*, or exchange value isolated by itself, individualised: *money*. On the other hand, the power that each individual exercises over the activity of others or over social wealth exists in him as the owner of *exchange values*, of *money*. He carries his social power, as also his connection with society, in his pocket.

The activity, whatever its individual form of manifestation, and the product of the activity, whatever its particular nature, is *exchange value*, i.e. something general in which all individuality, all particularity, is negated and extinguished. This is indeed a condition very different from that in which the individual, or the individual extended by a natural or historical process into a family and a tribe (later community), directly reproduces himself from nature, or in which his productive activity and his share in production are dependent on a particular form of labour and of the product, and his relationship to others is determined in this particular way.

The social character of the activity, as also the social form of the product and the share of the individual in production, appear here as something alien to and existing outside the individuals; not as their relationship to each other, but as their subordination to relationships existing independently of them and arising from the collision between indifferent individuals. The general exchange of activities and products, which has become the condition of life for every single individual, their mutual connection, appears to the individuals themselves alien, independent, as a thing. In exchange value, the social relationship of persons is transformed into a social [I-21] attitude of things; personal capacity into a capacity of things. The less social power the means of exchange possesses, the more closely it is still connected with the nature of the immediate product of labour and the immediate needs of the exchangers, the greater must that power of the community still be which binds

together the individuals, the patriarchal relationship, the community of antiquity, feudalism and the guild system (see my Notebook, XII, 34b^a).

Every individual possesses social power in the form of a thing. Take away this social power from the thing, and you must give it to persons [to exercise] over persons. Relationships of personal dependence (which originally arise quite spontaneously) are the first forms of society, in which human productivity develops only to a limited extent and at isolated points. Personal independence based upon dependence *mediated by things* is the second great form, and only in it is a system of general social exchange of matter, a system of universal relations, universal requirements and universal capacities, formed. Free individuality, based on the universal development of the individuals and the subordination of their communal, social productivity, which is their social possession [Vermögen], is the third stage. The second stage creates the conditions for the third. Patriarchal conditions and those of antiquity (likewise feudal ones) therefore decline with the development of trade, luxury, *money*, *exchange value*, in the same measure in which modern society grows with them step by step.

Exchange and division of labour condition each other. Since each person works for himself but his product is nothing by itself, he must naturally engage in exchange, not only so as to take part in the general capacity to produce, but to transform his own product into means of subsistence for himself. (See my "Observations on Economy", p. V (13, 14).^b) Of course, exchange as mediated by exchange value and money presupposes the absolute mutual dependence of the producers, but at the same time the complete isolation of their private interests and a division of social labour, whose unity and mutual complementarity exists as it were as a natural relationship outside the individuals, independently of them. The pressure of general demand and supply upon each other provides the connection between the mutually indifferent individuals.

The very necessity to transform the product or the activity of the individuals first into the form of *exchange value*, into *money*, and the fact that they obtain and demonstrate their social *power* only in this *objective* [*sachlichen*] form, proves two things: (1) that the individuals now only produce for and within society; (2) that their production is not *directly* social, NOT THE OFFSPRING OF ASSOCIATION

^a This notebook has not been found.—*Ed.*

^b This manuscript has not been found.—*Ed.*

distributing labour within itself. The individuals are subsumed under social production, which exists outside them as their fate; but social production is not subsumed under the individuals who manage it as their common wealth. There can therefore be nothing more incorrect or more absurd than to assume, on the strength of *exchange value* and *money*, control by the associated individuals of their collective production, as was done in the case of the labour-time ticket bank mentioned earlier.

The *private exchange* of all products of labour, capacities and activities, stands in contradiction to distribution based on the superordination and subordination (natural or political) of individuals to each other (*exchange* proper remaining a marginal phenomenon, or on the whole not affecting the life of entire communities, but taking place rather between different communities, by no means subjecting to itself all relationships of production and distribution) (whatever the character of this superordination and subordination: patriarchal, ancient or feudal). It also stands in contradiction to the free exchange of individuals who are associated on the basis of common appropriation and control of the means of production. (The latter association is not arbitrary: it presupposes the development of material and cultural conditions which need not be further elaborated at this point.)

Just as the division of labour produces agglomeration, combination, cooperation, the conflict of private interests, class interests, competition, concentration of capital, monopoly, joint-stock companies—all of which are antagonistic forms of the unity which calls forth the antagonism itself—so does private exchange produce world trade, private independence produces a complete dependence on the so-called world market, and the fragmented acts of exchange produce a banking and credit system whose accountancy [1-22] at least records the balancing of private exchange. However much the private interests within every nation divide it into as many nations as there are FULL-GROWN INDIVIDUALS in it, and however the interests of the EXPORTERS and the IMPORTERS of the same nation here conflict with each other—the rate of exchange creates the *semblance* of the existence of a national trade, etc., etc. No one will believe on such grounds that it is possible to abolish the *foundations* of internal or external private commerce by means of a *reform of the stock-exchange*. But within bourgeois society, based as it is upon *exchange value*, relationships of exchange and production are generated which are just so many mines to blow it to pieces. (A multitude of antagonistic forms of the social entity, whose antagonism, however, can never be exploded by a quiet

metamorphosis. On the other hand, if we did not find latent in society as it is, the material conditions of production and the corresponding relationships of exchange for a classless society, all attempts to explode it would be quixotic.)

We have seen that, although exchange value=the relative labour time materialised in the products and although money=the exchange value of commodities separated from their substance, this exchange value or monetary relationship contains the contradictions between commodities and their exchange value, between commodities as exchange values and money. We have seen that a bank which directly produces the counterpart of the commodity in labour money is a utopia. Although, therefore, money is merely exchange value detached from the substance of the commodity and owes its origin only to the tendency of this exchange value to posit itself in pure form, the commodity cannot be transformed directly into money, i.e. the authentic certificate of the quantity of labour time realised in it cannot serve as its price in the world of exchange values. HOW IS THIS?

(Economists see clearly that one form of money—in so far as it is a *medium* of exchange and not a *measure* of exchange value—presupposes the objectification of the social nexus, namely, to the extent that money appears as a *surety* that one person must leave behind in the hands of another in order to obtain a commodity from him. Here the economists themselves say that men put in the object (money) a trust they would not put in one another as persons. But why do they thus put their trust in the object? Clearly, only because it is the *objectified relationship* of persons to each other; as objectified exchange value, and exchange value is nothing but a mutual relation of the productive activities of persons. Any other surety may be directly of use to its possessor as such. Money is useful to him only as the “*movable surety of society*”,³⁷ but it is such a surety only because of its social (symbolic) character; it can possess a social character only because the individuals have alienated their own social relationship in the form of an object.)

In the *current price lists*, in which all values are measured in money, it seems as though the independence of the social character of things from persons, and also the trading activity conducted on this basis of estrangement in which the general relations of production and exchange appear to the individual, to all individuals, subject the things once again to the individuals. Since the increasing autonomy of the world market, IF YOU PLEASE

(which includes the activity of every individual), grows with the development of monetary relationships (exchange value) and vice versa, and since the general interconnection and absolute interdependence in production and consumption grows simultaneously with the independence of consumers and producers and their indifference to each other; since this contradiction leads to crises, etc., simultaneously with the development of this estrangement there are attempts to abolish it on its own ground: current price lists, exchange rates, communication between commercialists by letters, telegrams, etc. (the means of communication of course develop simultaneously), by means of which each individual provides himself with information on the activities of all others and seeks to adjust his own activity accordingly. (In other words, although the demand and supply of all proceeds independently of all, each seeks to inform himself of the general state of demand and supply; and this knowledge influences their action. Although all this does not abolish the estrangement in the context of the existing point of view, it does bring about relations and connections which entail the possibility of overcoming the old standpoint.) (The possibility of general statistics, etc.)

(Actually this is to be developed further under the heading "*Prices, Demand and Supply*". Here we need only note that this survey of total trade and total production, so far as current price lists actually represent such a survey, does indeed supply the best evidence of how their own exchange and their own production confronts individuals as an *objective* relationship *independent* of them. In the *world market* the *connection of the individual* with all others, but at the same time also the *independence* [I-23] *of this connection from the individuals*, has itself developed to such a point that its formation already contains the conditions for its being transcended.)

Comparison in place of actual community and universality.

(It has been said, and may be said, that the beauty and greatness lies precisely in this spontaneously evolved connection, in this material and spiritual exchange, which is independent of the knowledge and wishes of individuals and presupposes their mutual independence and indifference. And certainly this objective connection is to be preferred to the lack of any connection or to a purely local connection based on primitive blood ties, nature, and relationships of lordship and bondage. It is equally certain that individuals cannot subordinate their own social connections to themselves before they have created them. But it is absurd to conceive of that merely *objective connection* as a natural one,

inseparable from the nature of human individuality (as opposed to knowledge and will derived from reflection) and immanent in it. It is their product. It is a product of history. It belongs to a definite phase in their development. The estrangement and isolation in which it still exists for them, show only that they are still in the process of creating the conditions of their social life instead of having started it from these conditions. It is the connection, the spontaneously evolved one, of individuals within certain narrow relationships of production.

Universally developed individuals, whose social relationships are their own communal relations and therefore subjected to their own communal control, are not products of nature but of history. The degree and the universality of development of the capacities in which *this kind* of individuality becomes possible, presupposes precisely production on the basis of exchange value, which, along with the universality of the estrangement of individuals from themselves and from others, now also produces the universality and generality of all their relations and abilities. During earlier stages of development, the single individual seems more fully developed because he has not yet worked out the fulness of his relations and has not yet set them over against himself as independent social powers and relations. It is as ridiculous to long for a return to that original fulness as it is to believe that the present complete emptiness must be permanent. The bourgeois view has never been more than the opposite of that Romantic view,³⁸ and so the romantic view will accompany it as a justified opposite till its blessed end.)

(Here the relationship of the individual to science can be taken as an example.)

(To compare money to blood—the word "circulation" suggested this—is about as valid as Menenius Agrippa's comparing the patricians to the stomach.³⁹)

(To compare money with language is no less incorrect.⁴⁰ Ideas are not transformed into language in such a way that their particular attributes are dissolved and their social character exists alongside them in language as do prices alongside commodities. Ideas do not exist apart from language. Ideas which must first be translated from their mother tongue into a foreign language in order to circulate and to become exchangeable would provide a better analogy; but then the analogy is not with the language but with its foreignness.)

(The exchangeability of all products, activities, relationships for a third, *objective* entity, which in turn can be exchanged for

everything *without distinction*—in other words, the development of exchange values (and of monetary relationships) is identical with general venality, with corruption. General prostitution appears as a necessary phase in the development of the social character of personal inclinations, capacities, abilities, activities. More politely expressed: the universal relationship of utility and usefulness. Equating the incommensurate, as Shakespeare appropriately conceived of money.^a The craving for enrichment as such is impossible without money; all other accumulation and craving for accumulation appears merely natural, restricted, conditioned on the one hand by needs and on the other by the restricted nature of the products (*sacra auri fames*^b.)

(The money system, in its development, clearly already presupposes other general developments.)

When we consider social conditions which produce an undeveloped system of exchange, of exchange values and of money, or to which these correspond only in an undeveloped form, it is clear from the outset that individuals, although their relationships appear to be more personal, only enter into relations with each other as individuals in a particular determination, as feudal lord and vassal, lord of the manor and serf, etc., or as members of castes, etc., or as members of an estate, etc. In money relations, in a developed system of exchange (and this appearance leads democracy astray), the ties of personal dependence, distinctions of birth, education, etc. (all the personal ties at least appear as *personal* relationships), are in fact broken, abolished. The individuals *appear* to be independent (this independence, which altogether is merely an illusion and should more correctly be called unconcern, in the sense of indifference), appear to collide with each other freely, and to exchange with each other in this freedom; but they appear independent only to those who abstract from the *conditions*, the *conditions of existence*, in which those individuals come into contact with each other (and these in turn are independent of the individuals and appear, though produced by society, as it were, as *natural conditions*, i.e. beyond the control of the individuals).

The [I-24] determinateness which in the first case appears as a personal limitation of one individual by another, appears in the second case, in its developed form, as an objective limitation of the

individual by relationships which are independent of him and self-sufficient. (Since the single individual cannot shed his personal determinateness but can overcome external relationships and subordinate them to himself, his freedom *appears* greater in the second case. A closer investigation of those external relationships and conditions shows, however, that it is impossible for the individuals of a class, etc., to overcome them *en masse* without abolishing them. A single individual may by chance cope with them; the mass of individuals dominated by them cannot do so, since the very existence of that mass expresses the subordination, and the necessary subordination, of the individuals to it.)

These external relationships, far from abolishing the “relationships of dependence”, merely dissolve them into a general form; they are rather the elaboration of the general *foundation* of relationships of personal dependence. Here, too, individuals enter into relation with each other only as determinate individuals. These *objective* relations of dependence, in contrast to the *personal* ones, also appear in such a way that the individuals are now ruled by *abstractions* whereas previously they were dependent on one another. (The objective relationship of dependence is nothing but the social relations independently confronting the seemingly independent individuals, i.e. their own reciprocal relations of production which have acquired an existence independent of and separate from them.) Yet the abstraction or idea is nothing but the theoretical expression of those material relationships which dominate the individuals.

Relationships can naturally be expressed only in ideas, and so philosophers have seen the peculiarity of modern times in the individuals' being dominated by ideas, and have identified the birth of free individuality with the overthrow of this domination of ideas. From the ideological standpoint, this mistake was the easier to make because that domination of relationships (that objective dependence, which incidentally is in its turn transformed into certain personal relationships of dependence, only divested of all illusion) appears in the consciousness of individuals themselves to be the rule of ideas, and the belief in the eternal validity of these ideas, i.e. of those objective relationships of dependence, is OF COURSE in every way reinforced, sustained, drummed into people by the ruling classes.

(With regard to the illusion of the “purely personal relationships” of feudal times, etc., we must not of course for a moment forget: (1) that in a certain phase, these relationships themselves acquired within their sphere an objective character, as is shown by

^a “Thou visible god, that solder'st close impossibilities” (Shakespeare, *Timon of Athens*, IV, 3).—Ed.

^b “The accursed passion for gold” (Virgil, *Aeneid*, 3, 57).—Ed.

the development of landed property relationships, for example, out of purely military subordination. But, (2) the objective relationship in which they founder has itself a restricted, naturally determined character and thus *appears* as personal, whereas in the modern world personal relationships emerge purely as the outcome of the relationships of production and exchange.)

The product becomes a commodity. The commodity becomes exchange value. The exchange value of the commodity acquires a separate existence alongside the commodity, i.e. the commodity in the form in which (1) it is exchangeable for all other commodities; in which (2) it is therefore a general commodity and its natural particularity is extinguished; (3) in which is established the measure of its exchangeability, the particular ratio in which it equates all other commodities to itself—is the commodity as money, not indeed as money in general, but as a *particular sum of money*, for to represent exchange value in all its variability, money must be countable, quantitatively divisible.

Money, the common form into which all commodities transform themselves as exchange values, the general commodity, must itself exist as a *particular* commodity alongside the others, for they are not only mentally measured by it but must be traded and exchanged for it in actual exchange. The contradiction that arises from this is to be discussed elsewhere. Money does not originate by convention, any more than the State does. It arises from exchange, grows naturally out of exchange, is a product of exchange.

Initially that commodity will serve as money, i.e. will be acquired through exchange not as an object of need and consumption, but to be exchanged again for other commodities, which is most frequently acquired through exchange as an object of need, is therefore in general circulation; which therefore can most certainly be exchanged again for any other particular commodities; which, in other words, in a given social organisation represents wealth *κατ' ἐξοχήν*,^a is the object of the most general demand and supply and possesses a special use value. For example, salt, hides, cattle, slaves. Such a commodity in its particular form as commodity in fact corresponds more with itself as exchange value than do the other commodities (unfortunately it is impossible in German to render adequately the distinction between *denrée* [goods] and *marchandise* [commodities]).

^a Par excellence.—Ed.

What stamps a commodity as money here is its special usefulness, whether as an object of consumption (hides), or as a direct implement of production (slaves). In the course of development, exactly the reverse will occur, i.e. the commodity which is least a direct object of consumption or implement of production will best represent precisely this aspect, that of satisfying the requirements of *exchange as such*. In the first [I-25] case a commodity becomes money because of its special use value; in the second case, it acquires its particular use value by serving as money. Durability, unalterableness, divisibility and reconstitutability, relatively easy transportability, because a large exchange value is contained in a small volume, all these properties make the precious metals particularly suitable at the later stage. At the same time they form a natural transition from the first form of money. At a somewhat higher stage of production and exchange, the instrument of production becomes *more important* than the products, and *metals* are (after stones) the first and most indispensable implements of production. In *copper*, which is so important as money in antiquity, two things are still combined: the special use value as an instrument of production, and the other properties which do not derive from the use value of the commodity but correspond to its role as exchange value (which includes means of exchange).

Later, the *precious* metals are preferred to the others, because they do not oxidise, etc., are of uniform quality, etc., and correspond better to the higher stage, in that their immediate usefulness for consumption and production becomes less important, while their very scarcity makes them more representative of value founded purely upon exchange. From the outset, they represent surplus, the form in which wealth originally appears. Metals also more readily exchanged for metals than other commodities.

The first form of money corresponds to an early stage of exchange and barter, in which money still plays a greater role as *measure* than as actual *instrument of exchange*. At this stage, the measure can still be purely imaginary (however, the BAR used by the Negro is composed of iron^a) (but *cowries*, etc., fit better into the series, which reaches its final peak in gold and silver).

As a result of the transformation of the commodity into general exchange value, exchange value becomes a particular commodity. But this is possible only if one particular commodity acquires over

^a See this volume, p. 80.—Ed.

all others the privilege of representing, of symbolising their exchange value, i.e. of becoming *money*. The appearance of a particular commodity as the money subject of the money quality of all commodities, stems from the nature of exchange value itself. In the process of development, the exchange value of money can acquire again an existence separate from its material, from its substance, as in paper money, without, however, abolishing the privilege of this particular commodity, since the separate existence must continue to receive its denomination from the particular commodity.

Because the commodity is exchange value, it can be exchanged for money, equated with money. The ratio in which it is equated with money, i.e. the determinateness of its exchange value, *antecedes* its conversion into money. The ratio in which a particular commodity is exchanged for money, i.e. the quantity of money into which a definite quantity of the commodity is convertible, is determined by the labour time objectified in the commodity. As the realisation of a *definite amount* of labour time, the commodity is exchange value; in money the amount of labour time which it represents is both measured and given its general, exchangeable form corresponding to the concept. Money is the objective medium in which exchange values are immersed, and in which they acquire a form corresponding to their general determination. Adam Smith says that labour (labour time) is the original money with which all commodities are purchased.^a With regard to the act of production, this remains always true (and likewise with respect to the fixing of relative values). In production every commodity is constantly being exchanged for labour time.

A form of money distinct from labour time becomes necessary precisely because the amount of labour time must be expressed not in its immediate and particular product, but in a mediated and general product, in its particular product as equal to and convertible into all other products of the same labour time; labour time embodied not in one commodity, but simultaneously in all commodities, and therefore in a particular commodity which represents all others.

Labour time itself cannot be money directly (to demand this would be the same as demanding that every commodity should be directly its own money), precisely because in fact it always exists (as an object) only in the form of particular products. As a general

^a *Recherches sur la nature et les causes de la richesse des nations*, Vol. I, Paris, 1802, p. 60.—*Ed.*

object it can only exist symbolically, again in a particular commodity which is posited as money. Labour time does not exist as a general object of exchange, independent of and separate (detached) from the natural particularities of commodities. It would have to exist as such if it were to fulfil the conditions of money directly. It is the objectification of the general, social character of labour (and therefore of the labour time contained in exchange value) that makes the product of labour an exchange value and gives the commodity its money quality, which, in turn, implies a money subject existing outside it and independently of it.

A definite labour time is objectified in a definite, particular commodity with particular properties and particular relations to needs. But as exchange value, it must be objectified in a commodity which expresses only its amount or quantity, is indifferent to its natural attributes, and therefore can be metamorphosed, i.e. exchanged, into any other commodity embodying the same labour time. As an object it should possess this general character, [I-26] which contradicts its natural particularity. This contradiction can be resolved only by being itself objectified, i.e. only by positing the commodity in a double form: first in its natural immediate form, then in its mediated form, as money. The latter is possible only by a particular commodity becoming, as it were, the general substance of exchange values, or by the exchange value of commodities being identified with a particular substance, a particular commodity distinct from all others; i.e. by the commodity having first to be exchanged for this general commodity, the symbolic general product or objectification of labour time, before it can, as exchange value, be exchanged indifferently for any other commodity, or be metamorphosed into it.

Money is labour time as general object, or the objectification of general labour time, labour time as a *general commodity*. Thus, if it appears very simple that labour time since it regulates exchange values, is in fact not only their inherent measure, but their very substance (for, as exchange values, commodities have no other substance, no natural characteristics), and can also serve directly as their *money*, i.e. be the element in which exchange values as such are realised, this apparent simplicity is deceptive. The truth is that the relationship of exchange values—of commodities as objectifications of labour time equal to one another and equatable—contains contradictions which are objectively expressed in a form of *money distinct* from labour time.

In Adam Smith, this contradiction still appears as two aspects set

side by side. Alongside the particular product of his labour (labour time as particular object), the worker still has to produce a quantity of general commodity (labour time as general object). The two determinations of exchange value appear to him externally *side by side*.^a The inner essence of the whole commodity does not yet appear gripped and penetrated by contradiction. This corresponds to the stage of production with which Smith was confronted, where the worker still possessed a part of his subsistence directly in his product, and neither his entire activity nor the whole of his product had become dependent upon exchange, i.e. where subsistence agriculture (this or something similar is what Steuart calls it⁴¹) and also patriarchal industry (hand-weaving, domestic spinning tied to agriculture) still largely prevailed. At that stage, only the surplus is exchanged over a wide national area. Exchange value and determination by labour time [have] not yet fully developed on a national scale.

(*Incidentally*: It is less true of gold and silver than of any other commodity that their consumption can increase only in proportion to the reduction of their production costs. It increases rather in proportion to the increase in general wealth, since the use of gold and silver represents specifically wealth, surplus, luxury, because they themselves *represent* general wealth. Apart from their use as money, more silver and gold is consumed in proportion to the growth of general wealth. Therefore if their supply suddenly increases, even without their production costs or their value diminishing proportionately, they find a rapidly expanding market, which delays their depreciation. This explains a number of things about the *Australian-Californian* CASE,⁴² which those economists who make the general consumption of gold and silver depend solely on a fall in their production costs cannot explain, and where they merely move around in a circle. This results directly from their representing wealth, therefore, from their property as money.)

(The contrast between gold and silver as the ETERNAL COMMODITIES and all others, which we find in Petty,^b already hinted at in Xenophon, *De vectigalibus*, Ch. 1, with respect to marble and silver:

“And the pre-eminence of the land” [Attica] “is not only in the things that bloom and wither annually; she has other good things that last for ever. Nature has

^a A. Smith, *Recherches sur la nature et les causes de la richesse des nations*, Vol. I, p. 47.—*Ed.*

^b See this volume, p. 164.—*Ed.*

invested in her an abundance of stone”, etc. (namely marble) ... “Again there is land that yields no fruit if sown, and yet, when quarried, feeds many times the number it could feed if it grew corn.”^a)

(Note that exchange between different tribes or peoples—and this, not private exchange, is its first form—begins only when a surplus is purchased (obtained by trickery) from an uncivilised tribe, a surplus which is not the product of its labour but the natural product of the soil and of the region in which it dwells.)

(Analyse the ordinary economic contradictions which arise from the fact that money must be symbolised in a particular commodity, and then those which arise from the commodity itself (gold, etc.). This No. II. Then, since all commodities must be exchanged for money in order to be *priced*, whether this exchange occurs actually or only in the head, go on to determine the relation of the quantity of gold and silver to the prices of the commodities. This No. III. Clearly, as commodities are merely *measured* in gold or silver, the quantity of these metals has no influence upon the price of the commodities. The difficulty arises when exchange actually takes place, in so far as these metals actually serve as instruments of circulation; the conditions of supply and demand, etc. But whatever affects their value as an instrument of circulation obviously affects them as a measure.)

[I-27] Labour time itself exists as such only subjectively, only in the form of activity. In so far as it is exchangeable in that form (is itself a commodity), it is not only quantitatively but also qualitatively determined and differentiated, not at all general labour time equal to itself; it corresponds as subject as little to the general labour time that determines exchange value as particular commodities and products correspond to it as object.

Adam. Smith asserts that the labourer must produce a general commodity alongside his particular commodity, in other words, that he must give the form of money to a part of his product, more generally that he must convert into money all that part of his commodity which is not to serve him as use value but as exchange value.^b Subjectively expressed, this only means that his particular labour time cannot be directly exchanged for every other particular labour time; its general exchangeability must first be mediated, it must acquire an objective form distinct from itself, if it is to acquire this general exchangeability.

The labour of the individual, considered in the act of

^a Marx quotes in Greek.—*Ed.*

^b See this volume, pp. 105-06.—*Ed.*

production itself, is the money with which he immediately purchases the product, the object of his particular activity; but it is a *particular* money, which of course buys only this *particular* product. In order to be *general money* directly, it would have to be not *particular* but *general* labour from the outset, i.e. it would from the outset have to be *posited* as part of *general production*. Now, if this assumption is made, the general character of labour would not be given to it only by exchange; its assumed communal character would determine participation in the products. The communal character of production would from the outset make the product into a communal, general one. The exchange initially occurring in production, which would not be an exchange of exchange values but of activities determined by communal needs and communal purposes, would include from the beginning the individual's participation in the communal world of products. On the basis of exchange value, labour is *posited* as general labour only through *exchange*. On this basis [of the exchange of activities in production], labour would be *posited* as general labour prior to exchange, i.e. the exchange of products would not in any way be the *medium* mediating the participation of the individual in general production. Mediation has of course to take place.

In the first case, which starts from the independent production of individuals—however much these independent productions may be determined and modified *post festum* by their interrelations—the mediation takes place through the exchange of commodities, through exchange value, money, which are all expressions of one and the same relationship. In the second case the *presupposition itself is mediated*, i.e. communal production, community as the basis of production, is assumed. The labour of the individual is from the outset taken as social labour. Therefore, whatever may be the particular material form of the product that he produces or helps to produce, what he has purchased with his labour is not a definite particular product but a certain share in the communal production. Nor has he, therefore, a particular product to exchange. His product is *not exchange value*; it does not have to be first converted into a particular form to acquire a general character for the individual. Instead of a division of labour which necessarily arises from the exchange of exchange values, labour would be organised in such a way that the individual's share in common consumption would directly follow.

In the first case, the social character of production is *established* only *post festum* by the elevation of the products into exchange values and the exchange of these exchange values. In the second

case, the *social character of production* is presupposed, and participation in the world of products, in consumption, is not mediated by exchange between mutually independent labours or products of labour. It is mediated by the circumstances of social production within which the individual carries on his activity.

Hence, to want to convert the labour of the individual (i.e. also his product) directly into *money*, into *realised exchange value*, means to define it *directly* as general labour, i.e. to negate the very conditions under which it must be transformed into money and exchange values and under which it depends on private exchange. This demand can only be satisfied under conditions in which it can no longer be advanced. For the fact is that labour on the basis of exchange values presupposes that neither the labour of the individual nor his product is *directly* general, but that it acquires this form only through *objective mediation* by means of a form of *money* distinct from it.

If we presuppose communal production, the time factor naturally remains essential. The less time society requires to produce corn, livestock, etc., the more time it wins for other production, material or spiritual. As with a single individual, the comprehensiveness of its development, its pleasures and its activities depends upon the saving of time. Ultimately, all economy is a matter of economy of time. Society must also allocate its time appropriately to achieve a production corresponding to its total needs, just as the individual must allocate his time correctly to acquire knowledge in suitable proportions or to satisfy the various demands on his activity. Economy of time, as well as the planned distribution of labour time over the various branches of production, therefore, remains the first economic law if communal production is taken as the basis. It becomes a law even to a much higher degree. However, this is essentially [I-28] different from the measurement of exchange values (of labours or products of labour) by labour time. The labours of individuals in the same branch of industry, and the different types of labour, are not only *quantitatively* but *qualitatively* different. What does mere *quantitative* difference between things presuppose? The sameness of their *quality*. Therefore quantitative measurement of labours [presupposes] their equivalence, the sameness of their *quality*.

(*Strabo*, Book XI, on the Albani of the Caucasus⁴³):

The inhabitants of this country are unusually handsome and large. And they are frank in their dealings, and not mercenary; for they do not in general use

coined money, nor do they know any number greater than one hundred, but carry on business by means of barter.^a

He says further on:

They are also unacquainted with accurate measures and weights.)

Money made its appearance as a *measure* (oxen were used for this purpose e.g. in Homer^b) before it became a *means of exchange*, because in barter each commodity is still its own means of exchange. But it cannot be its own measure or standard of comparison.

[THE PRECIOUS METALS
AS EXPRESSION OF THE MONEY RELATIONSHIP]

From what has been said, we may conclude that a particular product (*commodity*) (material) must become the money subject, which exists as the property of every exchange value. The subject in which this symbol is to be represented is not a matter of indifference, since the demands made on the representing subject are contained in the circumstances—conceptual definitions, determined relationships—of that which is to be represented. The analysis of the precious metals as the subjects of the money relationship, the incarnation of that relationship, does not therefore lie, as Proudhon believes, outside the sphere of political economy,⁴⁴ just as little as the physical nature of colours and of marble lies outside the sphere of painting and sculpture. The properties which the commodity has as exchange value, and which are not identical with its natural properties, express the demands to be made on the commodities which are κατ' ἑξοχήν^c the material of money. At the stage of which alone we can speak so far, these demands are most fully realised in the precious metals. As instruments of production, metals as such are preferred to other commodities, and among the metals the one which is first found in its physical perfection and purity—gold. Next comes copper, then silver and iron. As Hegel would say, the *essence of metal* is best realised in the precious metals.

THE PRECIOUS METALS UNIFORM IN THEIR PHYSICAL QUALITIES, SO THAT EQUAL QUANTITIES OF IT SHOULD BE SO FAR IDENTICAL AS TO PRESENT NO GROUND FOR PREFERRING THE ONE FOR THE OTHER. This is not true of EQUAL NUMBERS OF CATTLE AND EQUAL QUANTITIES OF GRAIN, for example.⁴⁵

^a Strabo, *Rerum geographicarum libri XVII*, Lib. XI, Cap. IV. Marx quotes in Greek.—Ed.

^b In his *Iliad*.—Ed.

^c Pre-eminently.—Ed.

(a) *Gold and Silver in Comparison with the Other Metals*

The base metals oxidise in the atmosphere; the precious metals (mercury, silver, gold, platinum) are not changed by the atmosphere.

Aurum (Au). Density=19.5; melting point: 1200°C.

“The glittering gold is the most splendid of all metals and therefore in antiquity was already called the sun or the king of metals. Fairly widely found, though never in great quantities; it is therefore also more valuable than the other metals. As a rule it is found pure, partly in large nuggets, partly in small grains embedded in other minerals. From the erosion of such minerals originates the gold-bearing sand which many rivers carry and from which gold can be washed because of its great density. Extraordinary ductility of gold: a grain can be drawn out into a filament 500 feet long, and beaten into a leaf of a thickness of scarcely $\frac{1}{200,000}$ th [of an inch]. Gold resists all acids and is dissolved only by free chlorine (*aqua regia*, a mixture of nitric acid and hydrochloric acid). Gilding.”⁴⁶

Argentum. (Ag). Density=10. Melting point=1000°C. Bright appearance; the most friendly of all metals, very white and malleable; can be made into beautiful objects and drawn into fine filaments. Silver is found pure; very often alloyed with lead in silver-lead ores.

This much about the *chemical* properties of gold and silver. (The divisibility and fusibility, uniformity, etc., of pure gold and silver are well known.)

Mineralogical [properties]:

Gold. It is certainly remarkable that the more precious the metals are, the more sparsely and separated from the commonly occurring substances they appear, higher natures remote from the commonplace. Thus, as a rule gold is found pure, crystalline in various cubic forms or in the most diverse forms: irregular nuggets and grains, sand and dust, in which latter form it occurs embedded in many rocks, i.e. in granite, whose disintegration gives rise to gold-bearing sands in [I-29] rivers and in the gravel of alluvial soils. Since in this state the density of gold reaches 19.4, even those fine particles of gold can be obtained by stirring the gold-bearing sand in water. From this mixture the metal is precipitated first, because of its greater specific weight, and is, as they say, washed out. Silver is the metal most often associated with gold, and native alloys composed of both metals are encountered which contain 0.16 to 38.7% silver; this of course results in variations in colour and density.

Silver. In the considerable variety of its minerals, it occurs as one of the more abundant metals, both pure and alloyed with other

metals or combined with arsenic and sulphur. (Silver chloride, silver bromide, carbonic silver oxide, bismuth-silver ore, sternbergite, polybasite, etc.)

The main *chemical* properties of all the precious metals are that they do not oxidise in the atmosphere; and of gold (and platinum), that they are not dissolved by acids (gold only by chlorine). Not oxidising in the atmosphere keeps them pure, free from rust; they present themselves as that which they are. Their resistance to dissolution by oxidation: *imperishability* (so highly praised by the gold and silver fanatics of antiquity).

Physical properties: specific gravity, i.e. much weight in a small volume, specially important for an instrument of circulation. Gold 19.5; silver 10. *Brilliance of colour*: the lustre of gold, the whiteness of silver. Splendour, *ductility*; hence so suitable for jewellery and the embellishment of other objects. The *whiteness* of silver (which reflects all light rays in their original mixture); the red-yellow of gold (which absorbs all the colours in the light rays falling upon it and reflects only the red). [They have] *very high melting points*.

Geognostic properties: they are found *pure* (particularly in the case of gold), separate from other substances, isolated, individualised. Individual occurrence independent of the elemental.

As for the other two precious metals: (1) *Platinum*, not distinguished by its colour: grey in grey (soot of metals); too rare; unknown to the ancients; became known only after the discovery of America; in the 19th century discovered also in the Urals; only chlorine will corrode it; it is always found pure; specific gravity=21; will not melt at the highest temperatures; its value primarily scientific. (2) *Mercury*, occurs in a liquid form; vaporisable; its fumes poisonous; can be absorbed by liquid mixtures (amalgams). (Density=13.5, boiling point=360° C.)

Thus, neither platinum, still less mercury, suitable as money.

One *geognostic* property common to all the precious metals: *rarity*. Now, rarity is an element of value (leaving aside demand and supply), in so far as that which is in itself not rare, the negation of rarity, the elemental, is without value because it does not appear as the result of production. In the original determination of value, that which is most independent of conscious and willed production has the greatest value, assuming a demand for it. Pebbles are of no value, *relativement parlant*,^a because they are available *without production* (they do not even need looking for). If a thing is to be the object of exchange, have exchange value, it must not be available to everyone without the mediation of

^a Relatively speaking.—Ed.

exchange; it must not appear in so elemental a form as to be common property. To that extent rarity an element of exchange value, therefore this property of the precious metals important, even apart from the precise relationship of demand and supply.

If we look generally at the superiority of the metals as instruments of production, the advantage of gold is that it is *au fond*^a the *first metal discovered qua metal*. And this for two reasons. *Firstly*, because of all metals, gold appears in nature as the most metallic, distinct and distinguishable metal; *secondly*, because in its preparation nature undertook the work of art, and for its first discovery only ROUGH LABOUR, neither science nor developed instruments of production, required.

“Certain it is that gold must take its place as *the earliest metal known*, and in the first record of man’s progress it is indicated as a standard of man’s position”^b

(because as *surplus*, the first form in which wealth appears. The first form of value is *use value*, the everyday aspect which expresses the relationship of the individual to nature. The second form *exchange value* alongside use value, its command over the use values of others, its social relation: itself originally the value of things for Sunday use, over and above immediate basic necessities).

[I-30] VERY EARLY DISCOVERY OF GOLD BY MAN:

“Gold differs remarkably from the other metals, with a very few exceptions, in the fact, that it is found in nature in its metallic state. Iron and copper, tin, lead, and silver are ordinarily discovered in chemical combinations with oxygen, sulphur, arsenic, or carbon; and the few exceptional occurrences of these metals in an uncombined, or, as it was formerly called, virgin state, are to be cited rather as mineralogical curiosities than as common productions. Gold is, however, always found native or metallic... Therefore, as a metallic mass, curious by its yellow colour, it would attract the eye of the most uneducated man, whereas the other substances likely to lie in his path would offer no features of attraction to his scarcely awakened powers of observation. Again gold, from the circumstance of its having been formed in those rocks which are most exposed to atmospheric action, is found in the *débris* of the mountains. By the disintegrating influences, of the atmosphere, of changes of temperature, of the action of water, and particularly by the effects of ice, fragments of rock are continually broken off. These are borne by floods into the valleys and rolled into pebbles by the constant action of flowing water. Amongst these, pebbles, or particles, of gold are discovered. The summer heats, by drying up the waters, rendered those beds which had formed river channels and the courses of winter torrents, paths for the journeys of migratory man; and here we can imagine the early discovery of gold” [pp. 171-72].

^a Basically.—Ed.

^b *Lectures on Gold for the Instruction of Emigrants about to Proceed to Australia. Delivered at the Museum of Practical Geology, London, 1852, p. 172. Here and below (see pp. 113-15) Marx quotes from this source in English.—Ed.*

“Gold most frequently occurs pure, or, at all events, so nearly so that its metallic nature can be at once recognised”, both in streams and in “quartz veins” [p. 8].

“The specific gravity of quartz, and of most other heavy compact rocks is about 2½, whilst the specific gravity of gold is 18 or 19. Gold, therefore, is somewhere about 7 times as heavy as any rock or stone with which it is likely to be associated. A current of water accordingly having sufficient strength to bear along sand or pebbles of quartz or any other rock, might not be able to move the fragments of gold associated with them. Moving water, therefore, has done for the auriferous rocks formerly, just what the miner would do now, break it, namely, up into fragments, sweep away the lighter particles, and leave the gold behind it” [p. 10].

“Rivers are, indeed, great natural *cradles*, sweeping off all the lighter and finer particles at once, the heavier ones either sticking against natural impediments, or being left wherever the current slackens its force or velocity” (see *Gold (Lectures on)*, London, 1852) (pp. 12 and 13).

“In all probability, from tradition and early history, the *discovery of gold in the sand and gravel of streams would appear to have been the first step in the recognition of metals*, and in almost all, perhaps in all the countries of Europe, Africa and Asia, greater or smaller quantities of gold have from very early times been washed by simple contrivances from the auriferous deposits. Occasionally, the success of gold-streams has been great enough to produce a pulse of excitement which has vibrated for a while through a district, but has been hushed down again. In 760 the poor people turned out in numbers to wash gold from the river sands south of Prague, and three men were able in the day to extract a mark (½lb.) of gold; and so great was the consequent rush to the ‘diggings’, that in the next year the country was visited by famine. We read of a recurrence of similar events several times within the next few centuries, although here, as elsewhere, the general attraction to surface-spread riches has subsided into regular and systematic mining” [pp. 93-95].

“Two classes of deposits in which gold is found, the *lodes* or *veins*, which intersect the solid rock in a direction more or less perpendicular to the horizon; and the *drift-beds* or ‘*streams*’, in which the gold mingled with gravel, sand, or clay, has been deposited by the mechanical action of water, upon the surface of those rocks, which are penetrated to unknown depths by the lodes. To the former class belongs more specially the art of *mining*; to the latter the simple operations of *digging*. Gold-mining, properly so called, is, like other mining, an art requiring the [1-31] employment of capital, and of a skill only to be acquired by years of experience. There is no art practised by civilised man which requires for its full development the application of so many sciences and collateral arts. But although so essential to the miner, scarcely any of these are necessary to the gold-washer or streamer, who must trust chiefly to the strength of his arm, or the buoyancy of his health. The apparatus which he employs must necessarily be simple, so as to be conveyed from place to place, to be easily repaired if injured, and not to require any of those niceties of manipulation which would cause him to lose time in the acquiring of small quantities” [pp. 95-97].

The difference “between the drift-deposits of gold, best exemplified at the present day in Siberia, California, and Australia; and the fine sands annually brought down by rivers, some of which are also found to contain gold in workable quantities. The latter are of course found literally at the surface, the former may be met with under a cover of from 1 to 70 feet in thickness, consisting of soil, peat, sand, gravel etc. The modes of working the 2 must be identical in principle” [p. 97].

“For the stream-workers nature has pulled down the highest, proudest and richest parts of the lodes, and so triturated and washed up the materials, that the streamer has the heaviest part of the work already done for him; whilst the miner,

who attacks the poorer, but more lasting, deep-going lodes, must aid himself with all the resources of the nicest art” [p. 98].

“Gold has justly been considered the noblest of metals from various physical and chemical properties. It is unchangeable in air and does not rust.” (This unchangeability precisely its resistance to the oxygen of the atmosphere.) “Of a bright reddish yellow colour when in a coherent state, and very dense. Highly malleable. Requires a strong heat to melt it. Specific gravity [19.3]” [pp. 72-73].

Thus three types of gold production: (1) In river sand. Simply found on the surface. *Washing*. (2) Deposited in BEDS. *DIGGING*. (3) *MINING*. Its production therefore does not require any development of the productive forces. Nature here does most of the work.

(For the *roots* of the words for gold, silver, etc., see *Grimm*^a; here nothing but general concepts of *lustre* and *colour* are suggested which are soon transferred to the words. Silver is white, gold is yellow. Bronze and gold, bronze and iron interchange their names. Among the Germans, bronze in use earlier than iron. Direct relationship between *aes* and *aurum*.^b)

Copper (*brass*, *bronze*: tin and copper) and gold used before silver and iron.

“Gold employed long before silver, because it is found pure or only combined with a little silver; obtained by simple washing. Silver generally exists in lodes embedded in the hardest rocks of primitive formation; for its extraction machinery and complicated work are required. In South America the gold lodes are not exploited, only gold in the form of powder and grains in alluvial soils. Also at the time of Herodotus. The oldest monuments of Greece, Asia, Northern Europe and the New World show that the use of gold for utensils and jewels is possible in semi-barbaric conditions; and the use of silver for the same purpose denotes in itself fairly advanced social conditions” (cf. Dureau de la Malle, Notebook (1) [*Économie politique des Romains*, Vol. I, Paris, 1840, pp. 48-49]).^{c47}

For copper as the main instrument of war and peace *ibid.* 2 [p. 56] (as *money* in Italy, *ibid.* [p. 57]).

(b) *Fluctuations in the Value Ratio of the Different Metals*

If we are to examine the use of the metals as the substance of money, their use relative to each other, their earlier or later appearance, we must at the same time examine the *fluctuations in*

^a J. Grimm, *Geschichte der deutschen Sprache*, Vol. I, Leipzig, 1853, pp. 9 and 7.—*Ed.*

^b Copper and gold.—*Ed.*

^c Here and below Marx quotes from Dureau de la Malle partly in French and partly in German translation.—*Ed.*

their relative value (see Letronne, Böckh, Jacob^a). (In so far as this question is connected with the overall volume of the circulating metals and its relation to prices, to be considered later, as historical appendix to the chapter on the relation between money and prices.)

The *changement successif* between gold, silver and copper in different epochs inevitably depended in the first place on the nature of the deposits of these three metals and the greater or lesser purity in which they are found. Then on political changes like the invasion of Asia and part of Africa by the Persians and Macedonians, and later the Roman conquest of parts of the three continents (*orbis Romanus*, etc.) [Dureau de la Malle, op. cit., pp. 63-64].

Therefore dependent on the relative condition of purity in which they are found and the nature of the deposits.

The value ratio between the different metals can be determined without having regard to price, by means of the simple *quantitative* ratio in which they exchange for each other. We can generally adopt this procedure when we are comparing only a few commodities [I-32] that are measured in terms of the same unit, e.g. so many quarters of rye, barley, oats for so many quarters of wheat. In barter, where usually little is as yet exchanged and only a few commodities enter into commerce, this method is employed and hence money still unnecessary.

Among the *Arabs* neighbouring on the Sabaeans, according to Strabo, gold was locally so abundant that 10 lbs of gold was given for 1 lb. of iron and 2 lbs of gold for 1 lb. of silver [ibid., p. 52].

The land of the Bactrians (Bokhara, etc., in short Turkestan) and the parts of Asia SITUATED between the Paropamisus (Hundu Kush) and the Imaus (MUSTAGH MOUNTAINS), i.e. the *Desertum arenosum auro abundans*^b (Gobi Desert), were so rich in gold that Dureau de la Malle thinks it

possible that from the 15th to the 6th century B.C. the ratio of gold to silver equalled 1:6 or 1:8, a ratio which existed in China and Japan up to the beginning of the 19th century. Herodotus puts the ratio at 1:13 for Persia under Darius Hystaspes [ibid., p. 54].

^a J. A. Letronne, *Considérations générales sur l'évaluation des monnaies grecques et romaines, et sur la valeur de l'or et de l'argent avant la découverte de l'Amérique*; A. Böckh, *Die Staatshaushaltung der Athener*; W. Jacob, *An Historical Inquiry into the Production and Consumption of the Precious Metals*.—Ed.

^b Sand desert abounding in gold.—Ed.

According to the code of Manu,⁴⁸ written between 1300 and 600 B.C., the gold-silver ratio=1:2^{1/2}. Silver mines in fact scarcely exist except in primary strata, especially in stratified rocks, and in a few lodes in secondary rocks. Silver lodes are usually embedded in the densest and hardest rocks such as quartz, etc., and not in alluvial sands. This metal is more common [than gold] in regions which are cold either due to their latitude or to their height above sea level, while gold usually prefers hot countries. Unlike gold, silver is only very rarely encountered in the pure state, etc. (most frequently combined with arsenic or sulphur) (hydrochloric acid, nitric acid). With respect to the quantity of the two metals in circulation (before the discovery of Australia and California), Humboldt (1811) estimates the ratio of gold to silver in America=1:46, in Europe (including Asiatic Russia)=1:40. The *minéralogistes* of the Académie des Sciences make the ratio nowadays (1842^a)=1:52; yet the pound of gold is only worth 15 pounds of silver, hence the value ratio=1:15 [ibid., pp. 54-56].

Copper. Specific gravity=8.9. Beautiful colour, like the red of dawn. Fairly hard; requires a very high temperature to melt it. Not infrequently found pure; often combined with oxygen or sulphur.

Its lodes are embedded in ancient primary rocks. But is also frequently found, more than other minerals are, on the surface of the earth or at shallow depths, conglomerated in pure lumps, sometimes of considerable weight. Used before iron both in war and peace [ibid., p. 56].

(As the substance of money, gold bears the same relationship to silver as copper does to iron as an instrument of labour in historical development.)

It circulated in great quantities from the 1st to the 5th century in the part of Italy subjected by the Romans. The degree of civilisation of a people can be determined a priori simply by knowing the kind of metal—gold, copper, silver or iron—which it uses for weapons, tools and ornaments. *Hesiod* in his poem on agriculture:

“Χαλκῷ δ' ἐργάζοντο μέλας δ' οὐκ ἔσκε σιδηρός.”^b

Lucretius: “Et prior aeris erat quam ferri cognitus usus”^c [ibid., p. 57].

Jacob refers to ancient copper mines in Nubia and Siberia (see Dureau, I, 58).

Herodotus says that the Massagetae possessed only bronze, not iron. According to the Oxford marbles, iron was not known before 1431 B.C. In *Homer*, iron is rare; by contrast, very common use of bronze (ore, bronze), this alloy of copper, zinc and tin, which for so long served both Greek and Roman society even for the manufacture of axes and razors” [ibid., p. 58].

^a This should read “1840”.—Ed.

^b “They worked with copper. There was no black iron” (*Hesiod, Works and Days*, Verse 151).—Ed.

^c “The use of bronze was known before that of iron” (*Lucretius, De rerum natura*, Book V, 1286).—Ed.

Italy is fairly rich in native copper; to 247 B.C. copper money formed, if not the sole currency, then the usual money, the monetary unit of middle Italy. The Greek colonies in southern Italy received silver from Greece and Asia either directly or via Tyre and Carthage, which they coined from the 5th and 6th century onwards [ibid., p. 64].

The Romans apparently possessed silver money before the expulsion of the kings, but according to Pliny, "interdictum id vetere consulto patrum, Italiae parci" (i.e. of her silver mines) "jubentium"^a [Plinius, *Naturalis historia*, Book III, Chapter 20]. They feared the consequences of a convenient means of circulation—luxury, increase of slavery, accumulation, concentration of landed property [ibid., pp. 65-66].

Also among the Etruscans, copper was used as money earlier than gold.

Garnier is wrong in saying (see Notebook III, p. 22) that

"the material destined for accumulation was naturally sought and chosen in the realm of minerals".^b

On the contrary, it was after the coming into use of metallic money (whether as money in the proper sense or still merely as a privileged means of exchange by weight) that accumulation began. This point to be *discussed particularly in relation to gold*.

Reitemeier [is] right [when he says] (see Notebook III, p. 33):

"Gold, silver and copper first used among the peoples of antiquity to make breaking and crushing tools, despite their *relative weakness*, earlier than iron and earlier than their use as money." (Tools improved when men learnt to harden copper by tempering it, so that it could stand up to solid rock. A very much hardened copper was used to make chisels and hammers, which served to master stone. Finally, iron discovered.)^c

Jacob writes:

"In the patriarchal state (see Notebook IV, p. 3) when the metals from which arms were made, such as (1) BRASS and (2) IRON, were scarce and enormously expensive compared with the COMMON FOOD AND CLOTHING THEN USED, although no COINED MONEY OF THE PRECIOUS METALS was known, YET GOLD AND SILVER HAD ACQUIRED THE FACULTY to be more easily and CONVENIENTLY exchanged for the other metals than CORN and CATTLE".^d

^a "It was banned by an ancient decree of the Senate, which ruled that Italy" (i.e. her silver mines) "should be spared."—*Ed.*

^b G. Garnier, *Histoire de la monnaie*, Vol. I, Paris, 1819, p. 7.—*Ed.*

^c J. F. Reitemeier, *Geschichte des Bergbaues und Hüttenwesens bey den alten Völkern*, Göttingen, 1785, pp. 14-16 and 32.—*Ed.*

^d W. Jacob, *An Historical Inquiry into the Production and Consumption of the Precious Metals*. Vol. I, London, 1831, p. 142.—*Ed.*

[I-33] Moreover, only simple washing was required to obtain the pure, or nearly pure, gold of the immense areas of alluvial land situated between the Hindu Kush and Himalayan ranges. At that time the population was abundant in these Asian countries and labour was therefore very cheap. Silver, because of the (technical) difficulty of its exploitation, relatively dearer. The opposite obtained in Asia and in Greece after Alexander's death. The gold-bearing sands became exhausted; the price of slaves and labour rose; since mechanics and geometry had made immense progress between Euclid and Archimedes, it became possible to exploit profitably the rich seams of the silver mines of Asia, Thrace and Spain, and silver being 52 times more plentiful than gold, the ratio between the values of these two metals naturally changed, and a pound of gold, which in Xenophon's time, 350 B.C., had exchanged for 10 pounds of silver, was worth 18 pounds of the latter metal in A.D. 422 [Dureau de la Malle, *op. cit.*, Vol. I, pp. 62-63].

Hence gold had risen from 1:10 to 1:18.

At the end of the 5th century A.D., there was an unusual decline in the quantity of coins and stagnation in mining. In the Middle Ages until the end of the 15th century, gold coins made up a relatively significant portion of the money supply. (The decline affected particularly the silver [coins], which had earlier provided the bulk of the circulating currency.) The [gold-silver] ratio in the 15th century=1:10, in the 18th century=1:14 on the Continent, 1:15 in England.

In Asia more recently, silver more as a commodity in trade; particularly in China, where copper money (*tehen*, an alloy of copper, zinc and lead) constituted the country's coinage; in China gold (and silver) reckoned by weight served as commodities for balancing external trade.⁴⁹

Great fluctuations in the relative values of copper and silver (used as coins) in Rome.

Until the time of Servius, metal in ingots was used in exchange: the *aes rude*. The monetary unit was the as of copper, =1 lb. of the metal. At the time of Servius, the silver-copper value ratio=279:1, till the beginning of the Punic Wars⁵⁰=400:1, at the time of the First Punic War=140:1, at the time of the Second Punic War=112:1 [ibid., pp. 66-68, 73, 76 and 82].

Gold, initially very dear in Rome while silver came from Carthage (and Spain); gold used only in ingots until 547 [from the founding of Rome]. Gold to silver in trade=13.71:1, in coin 17.14:1; under Caesar=12:1 (at the outbreak of the civil war,⁵¹ after Caesar's plundering of the *aerarium*^a only=8.9:1); under Honorius and Arcadius ([A.D.] 397), fixed at 14.4:1; under Honorius and Theodosius Junior ([A.D.] 422)=18:1. Silver to copper=100:1; gold to silver=18:1 [ibid., pp. 85-91 and 95-96].

The first silver coin struck in Rome in 485 from the founding of Rome, the first gold coin in 547. As soon as the weight of the as was reduced to 1 ounce after the Second Punic War it was used only as small change; the sestertius (silver) became the monetary unit and all large payments were made in silver. (In everyday

^a Treasury.—*Ed.*

dealings, copper (and later iron) continued to be the main metallic currency.) Under the Emperors of the East and West, the *solidus (aureus)*, i.e. gold, the controlling money [ibid., pp. 65, 86, 81, 84 and 96].

Thus in antiquity, taking the average:

Firstly: Relatively high value of silver compared with gold. Apart from individual cases (the Arabs) where gold was cheaper than silver and even cheaper than iron, the value ratio of gold to silver in Asia from the 15th to the 6th century B.C.=6:1 or 8:1 (the latter *rappor*^a in China and Japan till the beginning of the 19th century). In the code of Manu [the ratio was] even=2¹/₂:1. This low ratio arises from the same causes owing to which gold was the first metal to be discovered. At that time gold came chiefly from Asia and Egypt. The use of *copper* as money marks the corresponding period in the development of Italy. In general, copper as the main instrument of peace and war corresponds to gold as the dominant precious metal. Even in Xenophon's time gold to silver=10:1.

Secondly: Since the death of Alexander, relative rise in the value of gold compared to silver, following the exhaustion of the auriferous sands and the progress in technology and civilisation. Consequently, opening of silver mines; now you have the influence of the quantitatively greater occurrence of silver than gold in the earth. But especially the Carthaginians, whose exploitation of [silver mines in] Spain was bound to revolutionise the relationship of gold to silver like the discovery of American silver at the end of the 15th century. Ratio before Caesar's time=17:1; later 14:1; and finally, since A.D. 422, it was 18:1. (The fall in the relative value of gold under Caesar due to accidental causes.) To the fall in the value of silver in relation to gold corresponds the use of iron as the main instrument of production in war and peace.

While in the first period gold came mainly from the East, in the second period silver came from the more temperate West.

Thirdly: In the Middle Ages, the ratio was once again as in Xenophon's time, 10:1. (In some places 12:1?)

Fourthly: After the discovery of America, the ratio was once again ABOUT the same as at the time of Honorius and Arcadius ([A.D.] 397), 14 or 15:1. Although gold production increased from ABOUT 1815 to 1844, gold was at a premium (e.g. in France). It is probable that the Californian and Australian discoveries,

fifthly, will bring the ratio back to that of the Roman Imperium,

^a Ratio.—Ed.

i.e. 18:1, if not to a still higher one.⁵² Both in antiquity and in modern times silver became relatively cheaper with the progress of the production of the precious metals from East to West, until the Californian and Australian discoveries reversed this process. In the short run great fluctuations, but there is a striking recurrence, if the main differences are considered.

[I-34] In ancient times, copper was three or four times more expensive than it is today (Garnier^a).

c) The sources of supply of gold and silver, and their connection with historical development, must now be considered.

d) *Money as coinage.* A brief historical survey of coinage. Debasement and enhancement, etc.

[MONEY CIRCULATION]

The *circulation* or *turnover of money* corresponds to an opposite *circulation* or *turnover of commodities*. A's commodity passes into B's hands, while B's money passes into A's hands, etc. The circulation of money, like that of commodities, sets out from and returns to an infinite number of different points. The turnover of money at the stage at which we are discussing it here, i.e. the stage of its *direct* circulation, does not set out from one centre towards the various points of the periphery, or return from those points to one single centre. This takes place only when circulation is *mediated* by the banking system, though this first spontaneous and natural circulation does consist of a mass of turnovers. But turnover in the proper sense begins only when gold and silver cease to be commodities. No circulation in this sense takes place between countries exporting the precious metals and those importing them, for in this case we have only a simple exchange, since gold and silver figure as commodities, not as money.

In so far as money mediates the exchange of commodities, i.e. in this case their circulation, and is therefore the means of exchange, it is the *instrument of circulation*, the "*wheel of circulation*".^b But in so far as it is itself circulated in this process, turned over, follows its own movement, it has itself a *circulation*, *money circulation*, *money turnover*. We must ascertain how far this circulation is governed by special laws. To begin with, it is clear

^a G. Garnier, *Histoire de monnaie*, Vol. I, p. 253.—Ed.

^b See A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. II, London, 1836, pp. 272, 276 and 284.—Ed.

that if money is the wheel of circulation for commodities, commodities are likewise the wheel of circulation for money. If money circulates commodities, commodities circulate money. The circulation of commodities and the circulation of money therefore condition each other.

There are three points to consider in relation to money turnover: (1) the form of the movement itself, the line it follows (its concept); (2) the quantity of money in circulation; (3) the velocity with which it accomplishes its movement, circulates. This can only be done in relation to commodity circulation. It is clear, to begin with, that commodity circulation possesses elements which are completely independent of money circulation and which, indeed, determine the latter, either directly or e.g. because the same circumstances which govern the velocity of commodity circulation also govern that of money circulation. The character of the mode of production as a whole will govern both, and more directly the circulation of commodities.

[On it depends] the number of people carrying on exchange (the size of the population); their distribution as between town and countryside; the absolute quantity of commodities, of products and of productive agents; the relative quantity of commodities put into circulation; the development of the means of communication and transport, in the double sense that it determines both the circle of those involved in exchange with each other, entering into contact, and the speed with which the raw material gets to the producer and the product to the consumer; finally the development of industry, which concentrates different branches of production in one place, e.g. spinning, weaving, dyeing, etc., thus making superfluous a series of mediating acts of exchange. Commodity circulation is the basic premiss of money circulation. How far the latter reacts back on the circulation of commodities, to be examined.

To start with, the *general concept of circulation or turnover* must be established.

Also to be noted that it is exchange values and hence *prices* which are circulated by money. In commodity circulation, therefore, we must take into account the prices of commodities just as much as their volume. Obviously, less money is needed to circulate a large quantity of commodities of low exchange value (price) than to circulate a small quantity at double the price. The concept of price must therefore be developed *before* that of circulation. Circulation is the positing of prices, the movement in which commodities are transformed into prices, their realisation as

prices. Money has a dual determination: (1) as the *measure* or element in which the commodity is realised as exchange value, and (2) as *means of exchange*, instrument of circulation; and these two determinations have effects in quite different directions. Money only circulates commodities which have already been *notionally* transformed into money, not only in the mind of the individual but in the imagination of society (directly, of the parties involved in the process of purchase and sale). The notional transformation into money and the real one are not governed by the same laws at all. The relationship between them must be investigated.

(a) [*Money as Measure of Value*]

An essential characteristic of circulation is that it circulates exchange values, exchange values, that is, in the form of *prices*. Hence, not every type of commodity exchange, e.g. BARTER, payments in kind, feudal services, etc., constitutes circulation. For circulation, two things above all are necessary: *firstly*, the premiss of commodities as prices; *secondly*, a circuit of exchanges, rather than isolated acts of exchange; a totality of exchanges in constant flow and taking place more or less over the whole surface of society; a system of acts of exchange.

[I-35] The commodity is cast in the role of exchange value. As such it is equivalent in a definite proportion (in proportion to the labour time contained in it) to all other values (commodities). But it does not correspond directly to itself in this role. As an exchange value it differs from itself in its natural form of existence. A mediation is required to posit the commodity as exchange value. Hence, in the form of money, exchange value confronts the commodity as something different from it. Only when posited as money is the commodity pure exchange value; or the commodity as pure exchange value is money. But at the same time, money now exists outside and alongside the commodity; its exchange value, the exchange value of all commodities, has acquired an existence independent of it, embodied in a material of its own, in a specific commodity. The exchange value of the commodity expresses the totality of the quantitative proportions in which all other commodities can be exchanged for it, as determined by the unequal quantities of the various commodities which can be produced in the same labour time. Money now exists as the exchange value of all commodities alongside and outside of them.

It is above all the general material into which they must be dipped to be gold- and silver-plated so as to acquire their free existence as exchange values. They must be translated into money, expressed in its terms. Money becomes the general denominator of exchange values, of commodities as exchange values. Exchange value expressed in money, i.e. equated to money, is *price*. Since money has been posited as something independent as against exchange values, exchange values are cast in the role of the money confronting them as subject.³³ But every exchange value is a definite quantity, is a quantitatively determined exchange value. As such it is—to a particular quantity of money. The particular quantity is determined according to the general law by the labour time realised in the exchange value. Thus, an exchange value that is the product of, say, a day's labour, is expressed in a quantity of gold or silver that is equal to a day's labour time, the product of a day's labour. The general measure of exchange values now becomes the measure between every exchange value and the money to which it is *equated*.

(Gold and silver are determined in the first instance by their production costs in the countries in which they are produced.

“In the MINING COUNTRIES all prices depend ultimately upon the production costs of the precious METALS; THE REMUNERATION PAID TO THE MINER AFFORDS THE SCALE upon which the REMUNERATION of all other PRODUCERS is calculated... The gold and silver value of all commodities not subject to any monopoly in a country not possessing mines depends upon the gold and silver WHICH CAN BE OBTAINED BY EXPORTING THE RESULT OF A GIVEN QUANTITY OF LABOUR, THE CURRENT RATE OF PROFIT, AND, IN EACH INDIVIDUAL CASE, THE AMOUNT OF WAGES WHICH HAVE BEEN PAID, AND THE TIME FOR WHICH THEY HAVE BEEN ADVANCED” (Senior [*Three Lectures on the Cost of Obtaining Money*, London, 1830, pp. 14-15 and 13-14]).

In other words, this value depends on the QUANTITY OF GOLD AND SILVER WHICH IS DIRECTLY OR INDIRECTLY obtained from the mining countries for a certain quantity of labour (i.e. of exportable products). Money is first of all that which expresses the relation of equality of all exchange values: in money they all have the same denominator.

Exchange value posited in terms of money is price. In price it is expressed as a definite quantity of money. In price, money appears, firstly, as the *unity* of all exchange values; and secondly, as the unit of which they contain a particular number, so that their quantitative character, their quantitative ratio to one another, is expressed by comparison with that unit. Hence money here plays the role of the *measure* of exchange values, and prices that of exchange values measured by money. That money is the measure of prices, and hence the basis for the comparison of exchange

values, is a definition that follows automatically. But more important for the purpose of this argument is that in price *exchange value is compared with money*. Once money has been cast in the role of exchange value independent of and separate from commodities, the particular commodity, the specific exchange value, is again *equated* to money, i.e. taken as equal to a certain sum of money, expressed in money, translated into it. By being equated to money, the commodities are again related to each other as they were, conceptually, as exchange values: as corresponding and comparable to each other in definite proportions.

The particular exchange value, the commodity, is expressed, subsumed, posited in the character of exchange value made independent, in money. How that happens (i.e. how the quantitative proportion between the quantitatively determined exchange value and a definite quantity of money is found), cf. above.^a But since money has an independent existence outside commodities, the price of the commodity appears as an *external* relation of exchange values or commodities to money. The commodity is *not* price, not in the way it was exchange value in its social substance; it does not *immediately* coincide with its character as price; it acquires this character only through being compared with money. The commodity is exchange value, but it *has* a price. Exchange value was there in direct unity with the commodity, as its immediate character, from which it separated just as immediately so that on the one side there was the commodity, on the other its exchange value (as measured in money). But now, in its *price*, the commodity is on the one hand related to money as to something existing outside it, and on the other it is itself seen as money *notionally*, since money has a reality distinct from it. Price is an attribute of the commodity, a determination in which it is *introduced* as money. It is no longer an immediate but a reflected determinateness of the commodity. [I-36] Alongside real money there now exists the commodity as something notionally cast in the role of money.

This next determination both of money *as measure* and of the commodity *as price* is most simply illustrated by the distinction between *real money* and *money of account*. As measure, money always serves as money of account; and as price, the commodity is always transformed into money only notionally.

“The valuation of the commodity by the seller, the offer made by the buyer, the calculations, obligations, rents, inventories, etc., in short everything leading up to

^a See this volume, pp. 77-84.—*Ed.*

and preceding the material act of payment, must be expressed in money of account. Real money intervenes only in order to realise the payments and to balance" (liquidate) "the accounts. If I have 24 livres 12 sous to pay, the money of account presents 24 units of one kind and 12 of another, while I will actually pay with two pieces of material: one piece of gold worth 24 livres and one of silver worth 12 sous. The total volume of real money has necessary limits in the needs of the circulation. The money of account is an ideal measure, which has no limits other than those of the imagination. Employed to express every kind of wealth, if only it is considered from the viewpoint of its exchange value: the national wealth, the national income, the income of individuals; accounting values, in whatever form these values may exist, regulated according to that same form; so there is not a single article in the mass of *choses consommables*^a that is not repeatedly transformed into money in thought, while compared with this mass, the total sum of real money is at most=1:10" (Garnier [*Histoire de la monnaie*, Vol. I, pp. 72, 73, 77, 78]).

(This ratio is wrong. 1:many millions would be more correct. But this cannot be measured at all.)

Thus, if money originally expresses exchange value, the commodity as price, as notionally posited and conceptually realised exchange value, now expresses a sum of money: money in a particular proportion. As prices, all commodities are in various forms representatives of money, while previously money as exchange value made independent was the representative of all commodities. To money really posited as a commodity succeeds the commodity notionally posited as money.

It is now clear, to start with, that in this notional transformation of commodities into money, or in the positing of commodities as *prices*, the quantity of money actually available is completely irrelevant in two respects: *Firstly*, the notional transformation of commodities into money is *prima facie*^b independent of and unrestricted by the quantity of real money. Not a single coin is necessary for this process, just as little as a measuring rod (say, a yardstick) need actually be employed in order to express, say, the length of the Earth's Equator in yards. If e.g. the whole national wealth of England is estimated in money, i.e. expressed as price, everyone knows that there is not enough money in the whole world to realise this price. Money is necessary here only as a category, as an imagined ratio. *Secondly*, since money is taken as a unit, and the commodity is thus expressed as containing a certain sum of equal parts of money, is measured by it, it follows that the measure between the two is the general measure of exchange values—the production costs or labour time. If $\frac{1}{3}$ oz. of gold is the product of 1 working day, and the commodity \times the product

^a Consumable articles.—*Ed.*

^b At first sight; here in the sense of "clearly".—*Ed.*

of 3 working days, that commodity=1 ounce of gold or £3 17 s. 7 d. sterling. In measuring money and commodity, the original measure of exchange values comes in again. Instead of being expressed in 3 working days, the commodity is expressed in the quantity of gold or silver which is the product of 3 working days. Obviously, the actual supply of money has no bearing on this proportion.

(*Error of James Mill*: overlooks the fact that the production costs, not their quantity, determine the value of the precious metals, and the prices of commodities MEASURED IN METALLIC VALUE.⁵³)

"Commodities in exchange act as each other's measure... But this procedure would require as many points of comparison as there are commodities in circulation. If one commodity were exchanged only for one, not for two commodities, it could not serve as the term of comparison... Hence the need for a *terme commun de comparaison*... This term can be a purely notional one... The determination of measure is the original one, more important than that of *gage*^a... In the trade between Russia and China, silver is used to evaluate all commodities, yet this *commerce* is carried on by *trocs*^b" (Storch [*Cours d'économie politique*, Vol. I, Paris, 1823, pp. 81-84, 87, 88]).

"Measuring with money is like the use of weights to compare material quantities. The same name for the two units whose function was to count the weight as well as the value of each object. *Measures of weight and measures of value have the same names*. An *étalon*^c that is always of the same weight was easily found. With money, it was a question of the *value* of a pound of silver=its costs of production" (Sismondi [*Études sur l'économie politique*, Vol. II, Brussels, 1838, pp. 264-68]).

Not only the same names. Gold and silver originally weighed. Thus, the Roman *as*=1 lb. of copper. Wirth.^d)

[I-37] "Sheep and oxen, not gold and silver, figure as *money*, as the measure of value, in Homer and Hesiod. On the battle field of Troy, barter" (Jacob [*An Historical Inquiry into the Production and Consumption of the Precious Metals*, Vol. I, p. 109]). (Similarly *slaves* in the Middle Ages, *ibid.* [p. 351].)

Money can function as the measure and general element of exchange values without assuming its further determinations—hence even before it has assumed the form of metallic money, e.g. in the case of simple barter. But this presupposes that little exchange of any kind takes place, that commodities have not been developed as exchange values and consequently not as *prices* either.

^a Security.—*Ed.*

^b Barter.—*Ed.*

^c Standard.—*Ed.*

^d See J. G. A. Wirth, *Die Geschichte der Deutschen*, Vol. I, Stuttgart, 1846, pp. 97-99.—*Ed.*

("A COMMON STANDARD in the price of ANYTHING presumes ITS FREQUENT and FAMILIAR ALIENATION. This is not the case in simple states of society. In non-industrialised countries many things are without a definite price... SALE ALONE CAN DETERMINE PRICES, AND FREQUENT SALE ALONE CAN FIX A STANDARD. The FREQUENT SALE of articles of first NECESSITY depends on the relation of town and country", etc.^a)

Developed pricing presupposes that the individual does not directly produce his subsistence but that his immediate product is *exchange value*, and hence must first be mediated by a social process to become the *means of subsistence* for him. Between the full development of this basis of industrial society and patriarchal conditions many intermediate stages, endless nuances.

This much can be concluded from (a): if the costs of production of the precious metals rise, the prices of all commodities fall; if the costs of production of the precious metals fall, the prices of all commodities rise. This is the general principle which is, as we shall see, modified in particular cases. [I-37]

[I-38] (Note to a)^b ("The term 'measure', used as an attribute of MONEY, means an *INDICATOR OF VALUE*"... Ridiculous assertion that "PRICES MUST FALL, because COMMODITIES are valued at SO MANY OUNCES OF GOLD and the AMOUNT OF GOLD IS DIMINISHED IN THIS COUNTRY."... THE EFFICIENCY OF GOLD AS AN INDICATOR OF VALUE IS UNAFFECTED BY ITS QUANTITY BEING GREATER OR SMALLER IN ANY PARTICULAR COUNTRY. If the whole paper and metallic circulation in this country were reduced by half by means of BANKING EXPEDIENTS, the relative value of gold and commodities would remain the same.^c Examples of this: Peru in the 16th century and the transmission from France to England. Hubbard [*The Currency and the Country*, London, 1843, pp. 44-46,] VIII, 45.)

("On the African Coast, the measure of value is neither gold nor silver but a notional STANDARD, an imaginary bar", Jacob, [*An Historical Inquiry into the Production and Consumption of the Precious Metals*, Vol. II, London, 1831, pp. 326-27,] V, 15.) [I-38]

(b) [*Money as a Means of Circulation*]

[I-37] If exchange values are *notionally* transformed into money in prices, then in exchange, in purchase and sale, they are *really* transformed into money, exchanged for money in order, as money, to be again exchanged for commodities. The particular exchange value must first be exchanged for the *general*, so as to be again exchanged for particular ones. The commodity is realised as

^a J. Stuart, *An Inquiry into the Principles of Political Oeconomy*, Vol. I, Dublin, 1770, pp. 395 and 396.—*Ed.*

^b In the manuscript the text marked "Note to a." is written on the next page, in a passage belonging to section b.—*Ed.*

^c Cf. this volume, p. 111.—*Ed.*

exchange value only by means of this mediating movement in which money plays the role of mediator. Hence money circulates in the opposite direction from commodities. Money appears as mediator of commodity exchange, as means of exchange. It is the wheel of circulation, the instrument of circulation for the turnover of commodities; but as such it simultaneously has a circulation of its own—the *monetary turnover*, *money circulation*. The price of the commodity is only realised in its exchange for real money, or in its real exchange for money.

This much can be concluded from the foregoing. Commodities are exchanged for money in reality, transformed into real money, only after they have been previously transformed into money in idea—i.e. after they have acquired a *price determination*, as *prices*. *Prices* are therefore the *prerequisite* for money circulation, however much their realisation may appear as the result of that circulation. The circumstances which make the exchange value and hence the *prices* of commodities rise above or fall below their average value, are to be analysed in the section on exchange value; they precede the process of the actual *realisation* of the prices in money; consequently appear at first to be completely independent of it. The relations of numbers to one another obviously remain the same when I represent them in decimal fractions; I have merely given them another *name*.

The actual circulation of commodities requires *instruments of transport*; it cannot be effected by money. If I have bought 1,000 lbs of iron for the sum of £x, the ownership of this iron has been transferred to me. My £x has done its job as means of exchange and has circulated, just as the title of ownership has done. The seller, on the other hand, has realised the price of the iron, has realised the iron as exchange value. But money does not contribute to bringing the iron from him to me; for that wagon, horses, roads, etc., are needed. Money does not effect the actual circulation of commodities in space and time. It merely realises their *price* and in that way transfers the title of ownership to the commodities to the purchaser, to the person who has offered the means of exchange. What is circulated by money is not commodities, but the titles of ownership to them; and what is realised in return in this circulation, whether by purchase or sale, is again not the commodities, but their prices.

Thus, the quantity of money required for circulation is determined, in the first place, by the level of prices of the commodities that are put into circulation. But, the sum total of these prices is determined *firstly*, by the prices of the individual

commodities; *secondly*, by the volume of commodities which enter into circulation at given prices. For example, twice as much money is needed to circulate a quarter of wheat at the price of 60 s. than at the price of 30 s. And 30,000 s. is necessary to circulate 500 quarters at 60 s. each, while only 12,000 s. is needed for the circulation of 200 quarters at the same price. Thus the amount of money required depends on the level of commodity prices and the volume of commodities to be circulated at given prices.

Secondly, however, the quantity of money required for circulation depends not only on the sum of the prices to be realised, it also depends on the velocity with which the money circulates, with which it accomplishes the business of realisation. If 1 thaler makes 10 purchases in an hour, at the price of 1 thaler each time, i.e. exchanges itself 10 times, it completes *QUITE* the same business as 10 thaler which effects only 1 purchase in an hour. Velocity of circulation is the negative moment; it offsets quantity; by means of it, a single coin multiplies itself.

The factors determining, on the one hand, the aggregate of commodity prices to be realised, and, on the other hand, the velocity of circulation of money are to be examined later. This much is clear, that prices are not high or low because much or little money is in circulation, but that much or little money is in circulation because prices are high or low; and further, that the velocity of the circulating money does not depend on its quantity; rather, [I-38] the quantity of the circulating medium depends on its velocity (*HEAVY PAYMENTS* are not counted but weighed; this saves time).

But as already mentioned,^a the circulation of money does not begin from one central point, nor does it return to a central point from all the points of the periphery (as is the case with the *BANKS OF ISSUE* and partly the case with state money); but it begins from and returns to an infinite number of points (this reflux itself, and the time in which it is completed, are fortuitous). The velocity of the means of circulation can therefore offset the quantity of the circulating medium only up to a certain point. (Factory-owners and farmers, e.g., pay the labourer; he pays the shopkeeper, etc.; and from the latter, the money returns to the factory-owners and farmers.) A given quantity of money can only effect a series of payments *successively*, whatever the velocity with which it effects them. But a certain number of payments must be made *simultaneously*. Circulation starts from a multitude of different

points simultaneously. Hence a definite quantity of money is needed for circulation, a quantity which will always be in circulation, and which is determined by the total sum which sets out from the simultaneous points of departure of circulation and the velocity with which it runs its course (returns). However much this quantity of the circulating medium may be subject to ebbs and flows, there is an average level; for the permanent changes in it are only very gradual, take place only over long periods of time, and, as we shall see, are always counteracted by a mass of secondary circumstances.

In its determination as measure, money is indifferent to its quantity, or the existing quantity of money is a matter of indifference. In its determination as means of exchange, instrument of circulation, its quantity is measured. Whether these two determinations of money can come into contradiction with each other, to be examined later.

(The concept of *forced, compulsory circulation* (see Stuart^a) does not belong here yet.⁵⁴)

It is an essential feature of *circulation* that exchange appears as a process, a fluid whole of purchases and sales. Its first premiss is the circulation of the commodities themselves, the circulation of these which continually sets out from a large number of points. The precondition of the circulation of commodities is that they are produced as *exchange values*, not as *immediate use values* but as use values mediated by exchange value. Appropriation through and by means of alienation and sale is a basic premiss. Circulation as the realisation of exchange values implies (1) that my product is a product only in so far as it is a product for others, in other words, transcended individuality, generality; (2) that it is a product for me only in so far as it has been alienated, has become a product for others; (3) that it is a product for the other person only in so far as he alienates his own product. This in turn implies (4) that production appears for me not an end in itself but a means.

Circulation is the movement in which general alienation appears as general appropriation and general appropriation as general alienation. Though the whole of this movement may well appear as a social process, and though the individual elements of this movement originate from the conscious will and particular purposes of individuals, nevertheless the totality of the process appears as an objective relationship arising spontaneously; a

^a See p. 121.—*Ed.*

^a J. Stuart, *An Inquiry into the Principles of Political Oeconomy*, Vol. II, Dublin, 1770, p. 389.—*Ed.*

relationship which results from the interaction of conscious individuals, but which is neither part of their consciousness nor as a whole subsumed under them. Their own collisions give rise to an *alien* social power standing above them. Their own interaction [appears] as a process and force independent of them. Because circulation is a totality of the social process, it is also the first form in which not only the social relation appears as something independent of individuals as, say, in a coin or an exchange value, but the whole of the social movement itself. The mutual social relationship of individuals as an independent power standing over them, whether it is conceived of as a force of nature, an accident, or in any other form, is a necessary result of the fact that the starting point is not the free social individual. Circulation as the first totality among the economic categories serves well to illustrate this fact.

[I-39] At first sight, circulation appears to be *simply a never-ending process*.⁵⁵ The commodity is exchanged for money; money is exchanged for the commodity, and this is repeated *ad infinitum*. This constant renewal of an identical process does indeed constitute an essential feature of circulation. But on closer examination, it reveals other phenomena as well: the phenomena of closing the circle or the return of the point of departure into itself. The commodity is exchanged for money; money is exchanged for the commodity. So, commodity is exchanged for commodity, except that this exchange is a mediated one. The buyer becomes a seller again, and the seller again becomes a buyer. So each is placed in a dual and antithetical determination, and so we have the living unity of both determinations.

It is, however, quite incorrect to proceed as do the economists: as soon as the contradictions of the money system emerge suddenly to focus only on the end results, forgetting the process which mediates them, seeing only the unity without the difference, the affirmation without the negation. The commodity is exchanged in circulation for a commodity; but in so far as it is exchanged for money, it is also *not* exchanged for a commodity. In other words, the acts of purchase and sale appear as two acts, indifferent to each other, separated in place and time. If it is said that a seller is at the same time a buyer, in so far as he buys money, and that a buyer is at the same time a seller, in so far as he sells money, this is to ignore precisely the distinction, the specific distinction between commodity and money.

After the economists have shown us so beautifully that barter, in which sale and purchase coincide, will not suffice for a more

developed form of society and mode of production, they suddenly look at barter mediated by money as if it were immediate, and ignore the *specific* character of this transaction. After having shown us that in distinction to commodities money is needed, they ALL AT ONCE assert that there is no difference between money and commodities. They take refuge in this abstraction because, in the real development of money, contradictions occur which are embarrassing for the apologetics of bourgeois COMMON SENSE and must therefore be covered up. In so far as purchase and sale, the two essential moments of circulation, are indifferent to one another, separate in space and time, they need not coincide at all. Their mutual indifference can go so far as to fortify one against the other and to make them apparently independent of each other. But in so far as they are both essential moments of a single whole, there must come a time when their independent form is violently broken up and their inner unity is outwardly established by a violent explosion. Hence, the quality of money as mediator, the separation of exchange into two acts, already contains the germ of crises, at least their possibility, which cannot be realised except where there exist the basic conditions of classically and fully developed circulation corresponding to its concept.

It has become further apparent that in circulation money only realises prices. Price appears first of all as a notional characteristic of the commodity; but the money exchanged for a commodity is its realised price, its real price. Hence price appears quite as much *external to* and independent *alongside* the commodity as attached to it in thought. If the commodity cannot be realised in money, it ceases to be capable of circulating, and its price becomes purely notional; just as originally the product transformed into exchange value ceases to be a product if it is not actually exchanged. (The rise and fall of prices not the question here.)

Considered under (a), *price* appeared as *an attribute of commodities*; but considered under (b), *money* appears as *the price outside the commodity*. A mere demand for the commodity does not suffice, it must be *backed up with cash*. If the price of the commodity cannot be realised, if the commodity cannot be converted into money, it appears *devalued, depriced*. The exchange value expressed in its price must be sacrificed as soon as this specific transformation into money is necessary. Hence, the complaints of Boisguillebert, for instance, that money is the executioner of all things, the Moloch to which everything must be sacrificed, the despot over commodities.^a At the time of the rise of

^a P. Boisguillebert, "Dissertation sur la nature des richesses, de l'argent et des

absolute monarchy, when all taxes were being converted into money taxes, money does indeed appear as the Moloch to which real wealth is sacrificed. So it appears in every MONETARY PANIC, TOO. Boisguillebert says that money has been transformed from the servant of commerce into its despot. In fact, however, pricing itself already anticipates what is implied in the exchange for money, namely that money no longer represents the commodity, but the commodity represents money. Complaints that trading by means of money was not legitimate trade in some writers of the period of transition from feudal to modern times; as later among socialists.

(α) The more the division of labour develops, the more the product ceases to be a means of exchange. It becomes necessary to have a general means of exchange, independent of the specific production of any particular individual. In production directed towards immediate subsistence, it is not possible to exchange every article for every other, and a particular activity can only [I-40] be exchanged for a particular product. The more specialised, the more manifold, the less independent the products become, the greater becomes the need for a general means of exchange. Initially, the product of labour or labour itself is the general means of exchange. It gradually ceases to be such as it becomes increasingly specialised. It is a prerequisite for a fairly developed division of labour that everyone's needs have become very many-sided and his product very one-sided. The need for exchange and the immediate means of exchange develop in inverse proportion. Hence the need for a general means of exchange, where the particular product and the particular labour must be exchanged for exchangeability. The exchange value of an object is nothing but the quantitatively specified expression of its ability to serve as a means of exchange. In money the means of exchange itself becomes an object, or the exchange value of the object acquires an independent existence outside it. Since the commodity is a means of exchange of only limited power as compared with money, it may cease to be a means of exchange as against money.

(β) The separation of exchange into purchase and sale makes it possible for me to buy without selling (stockpiling of commodities) or to sell without buying (accumulation of money). It makes speculation possible. It makes exchange into a special business; i.e. it creates the merchant estate. This separation has made possible a multitude of transactions between the definitive exchange of

tributs" (the metaphors Marx quotes from this work occur on pp. 395, 399 and 413 of the collection *Économistes financiers du XVIII^e siècle*, Paris, 1843.—Ed.)

commodities, enabling a large number of persons to exploit this division. It has made possible a multitude of *pseudo-transactions*. At times it becomes clear that what appeared as an essentially divided act, is something essentially integrated; at other times, that what was thought to be an essentially integrated act is in reality essentially divided. At times in which purchase and sale assert themselves as essentially distinct acts, a general depreciation of all commodities takes place. At those in which money only functions as a means of exchange, a depreciation of money takes place. General fall or rise in prices.

Money makes possible an absolute division of labour, because it renders labour independent of its specific product, independent of the immediate use value of its product for labour.

The general rise in prices at times of speculation cannot be attributed to a general rise in the exchange value of commodities or their production costs; for if the exchange value or the production costs of gold rose to the same extent as those of all other commodities, their exchange values expressed in money, i.e. their prices, would remain the same. Just as little can it be ascribed to a fall in the price of production⁵⁶ of gold. (Here we are not dealing with credit yet.) But since money is not only the general commodity but a particular commodity as well, and as a particular commodity is subject to the laws of demand and supply, the general demand for particular commodities relative to money must bring money down [in price].

Hence, we see that it is in the nature of money to resolve the contradictions of both direct barter and exchange value only by making them general. It was a matter of chance whether the particular means of exchange was exchanged for another particular means of exchange or not. But now the commodity must be exchanged for the general means of exchange, to which its particularity stands in still greater contradiction. In order to secure the exchangeability of the commodity, it is confronted with exchangeability itself as an independent commodity. (It turns from a means into an end.) Previously, the question was whether the particular commodity would encounter the particular commodity. But money resolves the act of exchange itself into two acts indifferent to one another.

(Before going further into problems of circulation, its strength, weakness, etc., and especially into the contentious issue of the quantity of money in circulation and prices, money must be considered in its third determination.)

One moment of circulation is that commodity is exchanged for

commodity by means of money. But there is the other moment, namely that, just as commodity exchanges for money and money for commodity, so money exchanges for commodity and commodity for money, in other words, that money is mediated with itself by means of the commodity, and appears as the unit which goes together with itself in its circulation. Thus it no longer appears as the means but as the end of circulation (as e.g. for the merchants) (in trade in general). If circulation is considered not merely as a continuous alternation, but in the circular motions which it describes in itself, this circular motion appears as a double one: commodity—money—money—commodity; on the other hand, money—commodity—commodity—money, i.e. if I can sell in order to buy, I can just as well buy in order to sell. In the first case, money is only the means of obtaining the commodity, and the commodity is the end; in the second case, the commodity is only the means of obtaining money, and money is the end. We can recognise this clearly if we consider the moments of circulation together. Considered as mere circulation, it does not matter at which point I break in to make it the point of departure.

Certainly, there is a specific difference between the commodity in circulation and money in circulation. The commodity is ejected from circulation at a certain point and fulfils its ultimate purpose only when it is definitively withdrawn from circulation, consumed, either in the act of production or [I-41] in consumption proper. The purpose of money, on the contrary, is to remain in circulation as the agent which effects it, as a *perpetuum mobile* ever renewing its circular course.

Nevertheless, that second purpose is present in circulation as much as the first. Now one can say: to exchange commodity for commodity makes sense, for although commodities are equivalents as prices, they are qualitatively different and thus their exchange ultimately satisfies qualitatively different needs. To exchange money for money is senseless, however, unless a quantitative difference occurs through the exchange of less money for more, by selling more dearly than one buys, and we are not yet concerned with the category of profit. Hence the conclusion money—commodity—commodity—money, which we derive from the analysis of circulation, might appear merely as an arbitrary and senseless abstraction, rather as if one were to describe the cycle of life as: death—life—death; though in the latter case, it could not be denied that the constant dissolution of the individual into the elemental is as much an element of the natural process as the constant individualisation of the elemental. Similarly, in

circulation: the constant monetarisation of commodities no less than the constant transformation of money into commodities.^a

Admittedly, in the real process of buying in order to sell the motive is the profit which is made in that transaction, and the ultimate aim is to exchange by means of the commodity less money for more money, since there is no qualitative difference between money and money. (We are not speaking here either of a particular metallic currency or of particular kinds of coinage.) Yet it cannot be denied that the operation can miscarry, and that, indeed, exchange of money for money without a quantitative difference repeatedly occurs in real life, and therefore can occur. But for this process, upon which trade is based and which therefore by its extent is also an important phenomenon of circulation, to be possible at all, the circuit money—commodity—commodity—money must be recognised as a special form of circulation. This form is specifically distinct from that in which money appears as a mere means of exchange of commodities; as the middle term; as a minor premiss for the conclusion. This circuit has to be distinguished in its purely qualitative form, its specific movement, alongside the quantitative determinateness which it possesses in trade.

Secondly, it already implies that money does not serve only as a measure or only as a means of exchange or only as both, but that it has yet a third determination. It appears here *firstly* as an end-in-itself, which commodity trade and exchange merely serve to realise. *Secondly*, since money is the final stage of the circuit here, it *leaves the circuit* just as the commodity exchanged for its equivalent by means of money is ejected from circulation. It is quite correct that money, in so far as it serves only as the agent of circulation, always remains included in the circuit. But now it becomes evident that money is something more than this instrument of circulation; that it also possesses an independent existence outside circulation, and in this new determination *can* be

^a Here the following passage is crossed out in the manuscript: "Now on this we must remark, firstly, that the two moments of circulation are produced by the third, which we previously called its infinite process; and that by means of this process—whether we take money or the commodity as the starting point—the end point can and must lead again and again beyond the circuit. Hence: commodity—money—money—commodity—money, but equally, money—commodity—commodity—money—commodity. Therefore, although neither of the two moments ends in itself, it must nonetheless be considered in its specific character. Seen in this way, it no longer seems so curious that one moment of the movement consists in money exchanging itself for itself through the medium of the commodity, thus momentarily appearing as the ultimate object."—*Ed.*

withdrawn from it, just as the commodity *must* always definitively be withdrawn from it. Hence we must consider money in its third determination, in which it includes the previous two, namely the role of serving as measure and that of being the general means of exchange and thus the realisation of commodity prices.

(c) *Money as Material Representative of Wealth.*

(Accumulation of money. But first we have still to consider money as the general material of contracts, etc.)

It is implicit in the nature of the circuit that each point in it appears simultaneously as point of departure and termination, and that, indeed, it appears as the one to the extent that it appears as the other. The form $M-C-C-M$ is therefore quite as correct as the other, which appears to be the original one, $C-M-M-C$. The difficulty is that the second commodity is qualitatively different, while this is not true of the second money. It can only be quantitatively different.

When money is considered as a *measure*, its material substance is essential, although its availability and especially its quantity, the *number* of the portions of gold or silver which serves as *unit*, is completely immaterial for it in this determination in which it is used merely as an imaginary, non-existent unit. It is as a unit that it must be available in this determination, not as a number. If I say that 1 lb. of cotton is worth 8d., I am saying that 1 lb. of cotton = $\frac{1}{116}$ ounce of gold (the ounce at £3 17s. 7d. or 931d.). This equation then also expresses its determinateness as exchange value, as the equivalent of all other commodities which contain so-and-so many times the ounce of gold, since they are all likewise compared with [I-42] the ounce of gold. This initial ratio of a pound of cotton to gold, which defines the quantity of gold that is contained in a pound of cotton, is given by the quantity of labour time realised in both, the real common substance of exchange values. This to be assumed from the chapter that deals with exchange value as such.⁵⁷

The difficulty of finding this equation is not as great as it appears. For example: in terms of the labour that directly produces gold, a particular quantity of gold appears directly as the product of, say, a day's labour. Directly or indirectly, competition equates the other labour days with this, *modificandis modificatis*. In a word, in the direct production of gold a particular quantity of gold appears directly as product and therefore as the value, the equivalent, of a particular labour time. Hence, one only has to

determine the labour time that is realised in the various commodities, and relate it with the labour time that directly produces gold, to be able to say how much gold is contained in a particular commodity.

The determination of all commodities as prices—as measured exchange values—is a process that takes place only gradually, and presupposes extensive exchange and hence repeated comparison of commodities as exchange values. But once the existence of commodities as prices has become an assumption—an assumption that is itself a product of the social process, a result of the social process of production—the determination of new prices seems simple, for the elements of the production costs themselves already exist in the form of prices and thus have simply to be added together. (FREQUENT ALIENATION, SALE, FREQUENT SALE (Steuart^a). Moreover, all this must have continuity, in order that prices may acquire a certain regularity.)

However, the point we wanted to come to is this: in so far as gold is to be established as a unit of measurement, its relation to commodities is determined by *BARTER*, by direct exchange, just like the relationship of all other commodities to one another. In *BARTER*, however, exchange value is only the product *in itself*, the first form in which exchange value appears; but the product is not yet posited as exchange value. Firstly, this determination [as exchange value] does not yet dominate production as a whole, but concerns only its surplus and is therefore itself more or less *superfluous* (like exchange itself); a fortuitous enlargement of the circle of satisfactions, of pleasures (relation to new objects). Consequently, it [exchange] takes place at only a few points (originally, at the borders of naturally evolved communities, in their contact with foreigners), is confined to a narrow area, something passing production by, incidental to it, ends as fortuitously as it comes into existence. Barter in which the surplus of one's own production is casually exchanged for that of the foreigner is only the *first occurrence* of the product as exchange value in general and is determined by accidental needs, desires, etc. But if it continues, if it becomes a continual act that contains in itself the means for its constant renewal, then—outwardly equally fortuitously—the regulation of reciprocal exchange through the regulation of reciprocal production gradually sets in, and the production costs, which in the final analysis are all reducible to labour time, would thus become the measure of exchange. This shows us how exchange

^a See this volume, p. 128.—Ed.

and the exchange value of commodities evolve.

The circumstances in which a relationship is first encountered, however, never show us this relationship either in its purity or in its totality. A product posited as exchange value is essentially no longer determined as a simple product. It is posited in a form distinct from its natural qualities. It is posited as a *relationship*, a general relationship, not to one commodity but to every commodity, to every possible product. It therefore expresses a general relationship, the product that relates itself to itself as the realisation of a *definite quantity* of general labour, of social labour time, and to that extent it is equivalent to every other product in the ratio expressed in its exchange value. Exchange value presupposes social labour as the substance of all products, quite apart from their natural characteristics. Nothing can express a relationship unless it relates itself to a particular thing; and nothing can express a general relationship unless it relates itself to something general. Since labour is movement, time is its natural measure. BARTER in its crudest form presupposes labour as the substance and labour time as the measure of commodities; and this becomes evident as soon as barter becomes regularised, continuous, and if it is to contain in itself the reciprocal conditions for its renewal.

The commodity is *exchange value* only in so far as it is expressed in something else, in other words, as a ratio. A bushel of wheat is worth so many bushels of rye; in this case, the wheat is exchange value in so far as it is expressed in rye, and rye is exchange value in so far as it is expressed in wheat. If either of these two products is related only to itself, it is not exchange value. Now, to the extent to which money appears as measure, it is itself expressed not as a ratio, not as exchange value, but as a natural quantity of a certain material, a natural part by weight of gold or silver. In general, the commodity in which the exchange value of another is expressed, is never expressed as exchange value, never as a ratio, but as a particular quantity in its natural state. If 1 bushel of wheat is worth 3 bushels of rye, only the bushel of wheat is expressed as value, not the bushel of rye. Admittedly, the other is posited *in itself* as well; 1 bushel of rye then = $\frac{1}{3}$ bushel of wheat; but this is not [I-43] *posited*, it is only a second ratio that is indeed directly implicit in the first. When one commodity is expressed in another, the first is treated as a ratio, and the second as a simple quantity of a particular material. 3 bushels of rye are in themselves not a value, but the rye occupying a definite amount of space, as measured by a standard of volume.

The same is true of money as a measure, as the unit in which the exchange values of the other commodities are measured. It is a certain weight of the natural substance in which it is represented, gold, silver, etc. If 1 bushel of wheat is priced at 77s. 7d., it is expressed as another thing to which it is equal, as 1 ounce of gold, as a ratio, as exchange value. But 1 ounce of gold in itself is not exchange value; is not expressed as exchange value, but as a definite quantity of itself, of its natural substance, of gold. If 1 bushel of wheat is priced at 77s. 7d. or 1 ounce of gold, this may represent a greater or smaller value, for 1 ounce of gold will rise or fall in value in proportion to the quantity of labour required for its production. But this is immaterial for its pricing as such, since its price of 77s. 7d. expresses exactly the ratio in which it is an equivalent for all other commodities, can buy them. The particular level of price, whether 77s. or 1,780s. the quarter, falls outside pricing in general, i.e. outside the positing of wheat as price. It has a price, whether it costs 100s. or 1s. The price of wheat merely expresses its exchange value in a unit common to all commodities, and therefore assumes that this exchange value is already settled by other relations.

Gold and wheat bear no relationship whatever to each other as natural objects; as *such*, they do not measure one another, are *indifferent* to one another. That 1 quarter of wheat has the price of 1 ounce of gold is established, because the ounce of gold in its turn is considered in relation to the labour time necessary for its production. Both wheat and gold are therefore considered in relation to a third thing, labour, and are equated in this ratio. The two are therefore compared with one another as exchange values. But this only shows us how the price of wheat is found, the quantity of gold with which it is equated. In this relationship itself, where money appears as the price of wheat, money itself is not posited as a ratio, as exchange value, but as a definite quantity of a natural material.

In exchange value, commodities (products) are posited as ratios of their social substance, of labour; but as prices they are expressed in quantities of other products in their natural properties. To be sure, it may be said that the price of money is also posited as 1 quarter of wheat, 3 quarters of rye, and all the other quantities of different commodities whose price is 1 ounce of gold. But then, in order to express the price of money, the whole range of commodities would have to be enumerated, each in the quantity in which it is equal to 1 ounce of gold. Hence money would have as many prices as there are commodities whose

price it itself expresses. The chief characteristic of price, *uniformity*, would be missing. No commodity would express the price of money because none would express its relationship to all other commodities, its general exchange value. But the specific feature of price is to express exchange value itself in its generality and yet in a particular commodity. But even that is immaterial. In so far as money appears as the material in which the price of all commodities is expressed, measured, money itself is posited as a definite quantity of gold, silver, etc., in short of its natural material; a simple quantity of a particular material, not itself as exchange value, as ratio. Thus every commodity in which another is expressed as price, is not itself *posited* as exchange value but as a simple quantity of itself.

In the determination of money as the unit of exchange values, as their measure, their general basis of comparison, the natural material of money—gold, silver—appears essential, since as the price of the commodity it is not exchange value, not a ratio, but a definite weight of gold or silver, e.g. one pound, with its subdivisions; and thus money does indeed appear originally as a pound, *aes grave*.^a It is precisely this which distinguishes price from exchange value, and we have seen that exchange value necessarily leads to pricing. Hence the folly of those who wish to make labour time as such into money, i.e. to posit and not to posit the distinction between price and exchange value.

Money as measure, as element of pricing, as the unit of measurement of exchange values, therefore displays the phenomenon (1) that it is only necessary as a notional unit, once the exchange value of an ounce of gold has been determined for any one commodity; that its actual presence and hence even more the quantity in which it is present is superfluous; the AMOUNT in which it exists in a country is irrelevant to its role as an indicator (INDICATOR of value); it is necessary only as a unit of reckoning; (2) that while it need be posited only notionally, and is in fact only notionally attached to the commodity as its price, it simultaneously provides the basis of comparison, the unit, the measure, as a simple quantity of the natural substance in which it represents itself, a definite weight of gold, silver, etc., adopted as unit. Exchange values (commodities) are conceptually transformed into certain units of weight of gold or silver, and posited in thought as equal to, as expressing, this imagined quantity of gold, etc.

[I-44] If we now consider money in its second determination, as

means of exchange and realiser of prices, we have found that it must be present in a definite *quantity*; that a particular amount of the weight of gold or silver posited as the unit is necessary to fulfil this role adequately. If the sum of prices to be realised is given, on the one hand, this depending upon the price of a particular commodity multiplied by its quantity, and the velocity of money circulation, on the other, then a certain quantity of means of circulation is required. But if we now consider more closely the original form, the immediate form in which circulation is represented, $C-M-M-C$, money appears in it purely as a means of exchange. The commodity is exchanged for a commodity, and money appears merely as the means of this exchange. The price of the first commodity is realised in money, in order to realise with that money the price of the second commodity, and thus to obtain it in exchange for the first. After the price of the first commodity is realised, the person who has now obtained its price in money does not aim to receive the price of the second commodity. Rather, he pays its price to obtain the commodity. Basically, money has therefore served him only for the purpose of exchanging the first commodity for the second. As mere means of circulation, money has no other function. The man who has sold his commodity for money wishes to buy another commodity, and the person from whom he has bought uses the money to buy another commodity, etc.

In this determination of pure means of circulation, the function of money itself exists only in this circular movement which it effects by the fact that its quantity, its amount, is determined in advance. How many times it is itself contained in the commodities as a unit is determined in advance in their prices, and as the instrument of circulation it appears simply as the number of this presupposed unit. In so far as it realises the price of the commodities, the commodity is exchanged for its real equivalent in gold and silver; its exchange value is actually expressed in money as another commodity. But in so far as this process takes place merely to reconvert money into commodity, in other words, to exchange the first commodity for the second, money appears only fleetingly, and its substance consists only in its continual appearance in this fleeting form, as this bearer of mediation. Money as a means of circulation is *only* a means of circulation. To be able to serve in this role, its one essential attribute is that of the quantity (amount) in which it circulates. (Since the amount is determined also by the velocity of circulation, this requires no special mention at this point.) In so far as it realises price, its material existence as

^a Pound weight.—Ed.

gold and silver is essential; but in so far as this realisation is merely fleeting and is to be transcended, it is of *no consequence*. It is a mere *semblance*, as if it were [only] a question of exchanging the commodity for gold or silver as a particular commodity: a semblance that vanishes, since the process is completed as soon as the gold and silver are exchanged once more for a commodity, and thereby commodity is exchanged for commodity. Gold and silver as mere means of circulation, or the means of circulation as gold and silver, are therefore indifferent to their qualities as particular natural commodities.

Assume that the total price of the commodities in circulation is 10,000 thaler. Their measure is then 1 thaler= x weight of silver. Now suppose that 100 thaler are needed to circulate these commodities in 6 hours, i.e. each thaler pays the price of 100 thaler in 6 hours. What is now essential is that 100 thaler, the amount 100 of the metallic unit, is available, which measures the total sum of commodity prices, 100 such units. That these units consist of silver is irrelevant to the process itself. This is already evident from the fact that 1 thaler in the cycle of circulation represents a quantity of silver 100 times greater than is really contained in it, although it represents only the weight of silver of 1 thaler in each particular act of exchange.

Taking the whole circulation, therefore, 1 thaler represents 100 thaler, a weight of silver 100 times greater than it actually contains. In fact, it is merely a *symbol* of the weight of silver contained in the 100 thaler. It realises a price 100 times that which it actually realises considered as a quantity of silver.

Suppose that the £ sterling e.g. = $\frac{1}{3}$ ounce of gold (in fact, it is worth less). In so far as the price of a commodity of £1 is paid, i.e. its price of £1 is realised, the commodity being exchanged for £1, it is crucial that the £ sterling should actually contain $\frac{1}{3}$ ounce of gold. If it were a counterfeit £ sterling, consisting of a base metal, a £ sterling only in appearance, the price of the commodity would not in fact be realised. For the price to be realised, it would have to be paid in as much base metal as = $\frac{1}{3}$ ounce of gold.

Considered in the context of this isolated aspect of circulation, it is accordingly essential that the money unit should actually represent a definite quantity of gold and silver. But it is a different matter if we consider the whole of circulation, circulation as a process in which the circle completes itself: $C—M—M—C$. In the first case, the realisation of the price would be merely a semblance: only *part* of the price would be realised. The price notionally attached to the commodity would not be obtained in-

reality. The commodity notionally taken as = so many units by weight of gold would not in actual exchange bring in this number of units by weight of gold. Yet if a counterfeit £ sterling took the place of a genuine one in circulation, it would perform in the whole circulation absolutely the same service as if it were genuine. If commodity *a* at a price of £1 is exchanged for a counterfeit pound, and this counterfeit pound is further exchanged for commodity *b* priced at £1 sterling, the counterfeit pound has performed absolutely the same service as if it [1-45] were a genuine £ sterling.

Hence in this process the real pound sterling is in fact merely a *symbol*, in so far as we are considering not the aspect in terms of which it realises the prices, but the whole of the process in which the pound sterling serves only as the means of circulation, and in which the realisation of prices is merely a *semblance*, a fleeting mediation. Here the pound [sterling] of gold serves merely to exchange commodity *a* for commodity *b* which has the same price. The actual realisation of the price of commodity *a* is here commodity *b*, and that of the price [of] *b* is the commodity *a* or *c* or *d*, which is the same thing so far as the form of the relationship is concerned, since the particular content of the commodity is quite immaterial for it. Commodities of equal price are exchanged. Instead of commodity *a* directly exchanging for commodity *b*, the price of commodity *a* is exchanged with commodity *b*, and the price of commodity *b* with commodity *a*.

Money accordingly represents in respect of the commodity only its price. Commodities are exchanged for one another at their price. The price of the commodity itself is the notional expression attached to it that it [the commodity] is the amount of a certain natural unit (unit of weight) of gold or silver, the material in which money is embodied. In money, or the realised price of the commodity, an actual number of this unit now confronts it. But in so far as the realisation of price is not the end, and we are not concerned to obtain the price of the commodity as price but as the price of another commodity, the material of which money is composed, e.g. gold or silver, is of no consequence. Money becomes the subject as instrument of circulation, as means of exchange, and the natural material in which it is represented appears as an ACCIDENT, whose significance vanishes in the act of exchange itself, because it is not in this material that the commodity exchanged for money is eventually to be realised, but in the material of the other commodity.

For in addition to the fact that in circulation money (1) realises

prices; (2) circulates titles of ownership, we now also have the fact that (3) by means of circulation something happens which could not happen directly, namely, that the exchange value of the commodity is expressed in every other commodity. If 1 yard of linen costs 2 s., and 1 lb. of sugar costs 1 s., the yard of linen is realised in 2 lbs of sugar by means of the 2 s., and the sugar is therefore converted into the material of the linen's exchange value, into the material in which the linen's exchange value is realised.

As a mere means of circulation, in its determination in the process of circulation as a continuous flow, money is neither a measure of prices, for it is already posited as such in the prices themselves, nor is it a means for the realisation of prices, for as such it exists only in the one phase of circulation but vanishes in the totality of all its phases. It is rather the mere *representative* of price in relation to all commodities, and serves only as the means by which commodities are exchanged at equal prices. Money is exchanged for the one commodity because it is the general representative of its exchange value and as such the *representative* of every other commodity of the same exchange value, the general representative, and as such it is in circulation itself. It *represents* the price of the one commodity relative to all other commodities, or the price of all commodities relative to one commodity. In this respect it is not only the *representative* of commodity prices but *symbol* of itself, i.e. in the act of circulation itself, its material, gold and silver, is of no consequence.

It *is* price; it is a definite quantity of gold or silver. But in so far as the reality of price is here merely a fleeting one, destined constantly to disappear, to be transcended, not to be accepted as a definitive realisation but always only as an intermediate, mediating one; in so far as the purpose here is not the realisation of price at all, but the realisation of the exchange value of a particular commodity in the material of another commodity, the material of money itself is of no consequence, it disappears as the realisation of price, since the realisation itself vanishes. In so far as money is in this continuous movement, it is so only as the representative of exchange value, which becomes actual only by real exchange value continually taking the place of its representative, continually changing places with it, being continually exchanged for it.

In this process, therefore, its reality is not that it is price but that it *represents* price, that it is its representative. It is the objectively present representative of price, therefore of itself, and as such of the exchange value of commodities. As means of exchange it

realises commodity prices only in order to posit the exchange value of one commodity in another as its unit, in order to realise its exchange value in the other commodity, i.e. to posit the other commodity as the material of its exchange value.

As such an objective symbol, therefore, money appears only in circulation. Withdrawn from circulation it becomes realised price again; but within the process, as we have seen, the quantity, the number of these objective symbols of the monetary unit is essentially determined. Hence, while in circulation, in which money appears as objectively confronting commodities, its material substance, its basis as a definite quantity of gold or silver, is without significance, its amount, on the contrary, is essentially determined since it is merely a *symbol* for a definite number of these units. In its determination as measure, in which it was introduced only notionally, its material basis was of essential significance but its quantity and its existence in general were of no consequence. From this it follows that money as gold and silver, in so far as it serves *merely* as means of circulation, means of exchange, can be replaced by any other *symbol* [I-46] that expresses a definite quantity of its unit. Hence symbolic money can replace real money because material money as mere means of exchange is itself symbolic.

These contradictory determinations of money as measure, as realiser of prices and as mere means of exchange, explain the otherwise inexplicable phenomenon that if metallic money, gold, silver, is *debased* by the admixture of a base metal, the money is depreciated and prices rise. This occurs because in this case the measure of prices is no longer the cost of production of, say, 1 ounce of gold but of the ounce [of the alloy], $\frac{2}{3}$ of which is copper, etc. (Debasements of the coinage, which consist merely in falsifying or altering the names of the fractional weight units of the precious metals, by calling e.g. the eighth part of an ounce 1 sovereign, leave the standard absolutely the same and alter only its name. If $\frac{1}{4}$ of an ounce was previously called 1 sovereign, and it is now $\frac{1}{8}$ of an ounce, the price of 1 sovereign now expresses only $\frac{1}{8}$ of an ounce of gold; hence ABOUT 2 SOVEREIGNS are necessary to express the same price as was earlier expressed by one.) In other words, if only a falsification of the name of the fractional parts of the precious metals has occurred, the standard remains the same, but the fractional part is expressed in twice as many francs, etc., as before. On the other hand, if the basis of money—gold or silver—is entirely abolished and replaced with paper bearing the symbol of a definite amount of real money, in the quantity

required by circulation, the paper circulates as currency at the full value of the gold and silver. In the first case, [the rise in prices occurs] because the means of circulation is simultaneously the material of money as a measure and the material in which price is definitively realised. In the second case, [no rise in prices occurs] because money is functioning only in its determination as means of circulation.

Example of clumsy confusion of the contradictory functions of money:

“PRICE IS EXACTLY DETERMINED BY THE QUANTITY OF MONEY THERE IS TO BUY IT WITH. ALL THE COMMODITIES IN THE WORLD CAN FETCH NO MORE THAN ALL THE MONEY IN THE WORLD.”

Firstly, pricing has nothing to do with actual sale; in it, money only [serves] as measure. Secondly, all the commodities present in circulation could FETCH a thousand times more MONEY than there is in the WORLD, if each PIECE of money circulated a thousand times (passage from the *London Weekly Dispatch*, 8 November [1857]).

Since the total sum of prices that are to be realised in circulation changes with the price of commodities and the volume in which they are put into circulation; since on the other hand the velocity of the means of circulation present in each case is determined by circumstances which are independent of it, the quantity of the means of circulation must be able to change, to be enlarged and contracted—*contraction and expansion of circulation*.

It can be said of money as mere means of circulation that it ceases to be a commodity (a *particular* commodity) in that its material is of no consequence, and it now only satisfies the requirements of [the act of] exchange itself, no longer any other immediate requirements. Gold and silver cease to be commodities as soon as they circulate as money. On the other hand, it can be said of money that it is *just commodity* (*general* commodity), commodity in its pure form, indifferent to its particular natural properties and hence to all immediate requirements, without natural relationship to a particular need as such. The adherents of the monetary system,⁵⁸ even some of those who adhere to the system of protection (see e.g. F. L. A. Ferrier, p. 2⁵⁹) have clung to the first aspect, and the modern economists to the second; e.g. Say, who says that money is a “particular” commodity, treats it as a commodity like any other.”

As means of exchange, money appears as the necessary mediator between production and consumption. In a system of

^a J. B. Say, *Traité d'économie politique*, 3rd ed., Vol. II, Paris, 1817, pp. 460-61.—Ed.

developed money relationships, one produces only in order to exchange, or one produces only by exchanging. Hence, if money were abolished, one would either be thrown back to a lower level of production (to which corresponds barter playing a marginal role in production), or one would progress to a higher level, where exchange value would no longer be the primary attribute of the commodity, because general labour, whose representative it is, would no longer appear only as socially mediated private labour.

The question whether money as means of circulation is productive or not is answered just as readily. According to Adam Smith, money is unproductive.^a Yet Ferrier says e.g.:

“It creates *valeurs*,^b since they would not exist without it” [F. L. A. Ferrier, *Du gouvernement considéré dans ses rapports avec le commerce*, Paris, 1805, p. 52]. One must not only “consider its *value* as metal, but just as much its *quality* as money” [op. cit., p. 18].

A. Smith is right in so far as money is not the instrument of some particular branch of production; Ferrier is right, [I-47] since it is inherent in general production based on exchange value to posit product and agent of production in the determination of money, and this implies a money distinct from the product; because the money relationship is itself a relationship of production, if production is considered in its totality.

In so far as $C—M—M—C$ is divided up into its two moments, although the *prices* of the commodities are implied (and this makes all the difference), circulation is divided up into two acts of direct barter. $C—M$: the exchange value of the commodity is expressed in another particular commodity, the material of money, as also that of money in the commodity; equally in $M—C$. To that extent, A. Smith is correct in saying that money as means of exchange is only a more complicated kind of *BARTER*.^c But when the whole of the process is considered, not the two phases as independent acts, so that the commodity is realised in money and money is realised in the commodity, the opponents of A. Smith are correct in their contention that he misunderstood the nature of money and that money circulation supplants *BARTER*; since money merely serves to balance the “*ARITHMETICAL DIVISION*” which arises from the division of labour. These “*ARITHMETICAL FIGURES*” need no more be of gold or silver than measures of length (see Solly,

^a A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. II, London, 1836, pp. 271-85; Vol. III, London, 1839, pp. 70-106.—Ed.

^b Values.—Ed.

^c A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Book I, Chapter IV.—Ed.

[*The Present Distress, in relation to the Theory of Money*, London, 1830, pp. 5-6,] p. 20).

Commodities from being *marchandises* become *denrées*, pass into consumption. Money as a means of circulation does not. *So long as* it retains its role of means of circulation, it does not cease at any point to be a commodity.

We pass now to the third determination of money, which results directly from the second form of circulation: $M-C-C-M$. Here money appears not only as a *means*, nor as a *measure*, but as an end in itself, and hence leaves circulation, in the same way as the particular commodity which completes its circuit, and which has changed from *marchandise* to *denrée*.

First still to be noted that, given the determination of money as an immanent relation of general production based upon exchange value, its service as an instrument of production can now also be demonstrated in detail.

"The advantage of gold and silver stems from the fact that it replaces labour" (Lauderdale, [*Recherches sur la nature et l'origine de la richesse publique*, Paris, 1808, p. 140,] p. 11⁶⁰).

Without money a large number of *trocs*^a is necessary to obtain in exchange the object one desires. Further, [without money,] it would be necessary to ascertain the relative value of the commodities in each particular exchange. The former necessity is obviated by money as instrument of exchange (instrument of trade); the latter, by money as measure of value and representative of all commodities (idem, [pp. 142, 140 and 144,] l.c.).

The opposite assertion, that money is *not* productive,^b amounts only to saying that it is *unproductive* outside the role in which it is productive as measure, instrument of circulation and representative of values, that its quantity is productive only in so far as it is required to fulfil these determinations. It is true to say that money becomes not merely *unproductive* but *faux frais de production*^c as soon as more of it is employed than is necessary for its productive role. But this is equally true of every other instrument of production or exchange, of machinery as much as of means of transport. But if by this is meant that money merely exchanges already existing real wealth, then this is wrong, for money likewise exchanges and purchases labour, productive activity itself, *potential* wealth.

^a Acts of barter.—*Ed.*

^b See this volume, p. 149.—*Ed.*

^c Overhead costs of production.—*Ed.*

The *third determination* of money in its complete development presupposes the first two determinations and constitutes their unity. Money, then, has an independent existence outside circulation; it has stepped outside it. As a *particular* commodity, it can be converted from its form as money into that of objects of luxury, gold and silver ornaments (so long as the artistic labour involved is still very simple, e.g. as in the earlier periods of English history, silver money was continually converted into *PLATE* and vice versa. See *Taylor*^a). Or it can be *accumulated* as money and so constitute a *hoarded treasure*. So far as money in its independent existence derives from circulation, it appears in circulation itself as the result of circulation; it closes its own circle by means of circulation. In this aspect, its role as *capital* is already latent. It is negated as mere means of exchange. Nevertheless, since historically it can be posited as measure before it appears as means of exchange, and can conversely appear as means of exchange before it is posited as measure—in the latter case it would exist only as a preferred *commodity**—it can also appear historically in its third determination before it has been posited in the two previous ones. But gold and silver can be accumulated as *money* only if they are already present in one of the two previous determinations, and in its third determination it can appear in a developed form only if it has already been developed in the earlier two. Otherwise, its accumulation is merely accumulation of gold and silver, not of money.

[I-48] (Mention as a particularly interesting example of this the *accumulation of copper money* in the earlier period of the Roman Republic.)

In so far as money as the *universal material representative of wealth* derives from circulation and as such is itself a *product of circulation*, which is simultaneously exchange to a higher degree and a *special* form of exchange, money is also in this third determination related to circulation. It is independent of circulation, but this independence is only circulation's own process. In the same measure as it leaves circulation, it re-enters it. Devoid of all relation to circulation, money would not be money but a simple natural object, gold or silver. In this determination money is as

* [II-8] "Since the dawn of civilisation people have fixed the exchange value of the products of their labour not by comparison with the *products offered in exchange* but by comparison with a certain preferred product" (Ganilh, [*Des systèmes d'économie politique*, Vol. II, Paris, 1809, pp. 64-65] 13a⁶¹). [II-8]

^a J. Taylor, *A View of the Money System of England, from the Conquest*, London, 1828, pp. 18-19.—*Ed.*

much the premiss as the result of circulation. Its very independence is not a cessation of the relation to circulation, but a *negative* relation to it. This is inherent in the independence of money as a result of $M-C-C-M$.

Money as *capital* implies: (1) that money is as much a premiss of circulation as its result; (2) that its independence is therefore only a *negative* relation to circulation, but always a relation to it; (3) that it is itself posited as *instrument of production* in that circulation no longer appears in its initial simplicity, as quantitative exchange, but as process of production, as the real exchange of matter. And so money itself is determined as a particular moment of this production process. Production is concerned not merely with simple pricing, i.e. with translating the exchange value of commodities into a common unit, but with the creation of exchange values, hence with the creation of *what determines* prices as well, with the creation not merely of their form, but of their content. Hence, if in simple circulation money appears in general as productive, namely in so far as circulation in general is itself a moment of the system of production, as yet it has this determination only *for us*; it has not yet been *posited* in money. (4) Consequently, as capital, money is also posited as relating to itself by means of circulation—the *relation of interest and capital*. But here we are not yet concerned with this. We have simply to consider here how money in its third determination has emerged as *something independent* from circulation, or, more precisely, from its two earlier determinations.

("An increase of money [is] merely an increase in the *means of reckoning*" (Sismondi [*Études sur l'économie politique*. Vol. II, Brussels, 1838, p. 278]).

This is correct only in so far as money functions as mere means of exchange. In its other role its increase is also an increase in the *means of payment*.)

"Trade has detached the shadow from the body, and introduced the possibility of possessing them separately" (Sismondi [op. cit., p. 300]).

Thus money is now exchange value become independent (as such it always appears as *means of exchange* only ephemerally) in its general form. True, it possesses its own materiality or substance, gold and silver, and it is just this which gives it its independence, for what only exists as an aspect of something else, as a determination or relation of other things, is not independent. On the other hand, in this material independence as gold and silver, it represents not only the exchange value of one commodity relative to the other but exchange value relative to all commodities; and

while it itself possesses a substance, it simultaneously appears in its particular existence as gold and silver as the general exchange value of the other commodities. On the one hand it is possessed as their exchange value; on the other they exist as just so many particular substances of the latter, so that it can be converted into each of these substances by means of exchange just as much as it is indifferent to and raised above their determinateness and particularity. They are thus merely fortuitous existences. It is the "*précis de toutes les choses*",^a in which their particular character is wiped out; general wealth as concise compendium as against its spread and fragmentation in the world of commodities. While wealth appears in particular commodities as a feature of them, or they appear as a particular element of wealth, general wealth itself appears in gold and silver as concentrated in a particular material.

Every particular commodity, in so far as it is exchange value and has a price, itself expresses only a definite quantity of money in an incomplete form. For it must first be thrown into circulation to be realised, and because of its particularity, its realisation remains fortuitous. But in so far as the commodity is not posited as price, but in its natural quality, it is a moment of wealth only through its relation to a particular need which it satisfies, and expresses in this respect (1) only the wealth of use, (2) only one very special aspect of this wealth. Money, on the contrary, apart from its particular usefulness as a valuable commodity, is (1) realised price; (2) satisfies every need, in that it can be exchanged for the object of every need [and is] quite indifferent to every particularity. The commodity possesses this property only through the mediation of money. Money possesses it directly in relation to all commodities, therefore in relation to the whole world of wealth, to wealth as such. In money, general wealth is not only a form but at the same time the content itself. The concept of wealth is so to speak realised in a particular object, *individualised*. In the particular commodity, [II-1]^b so far as it is price, wealth is present only notionally, in a form which has not yet been realised; so far as it has a definite use value, it exhibits only one quite isolated aspect of it. In money, on the other hand, the price is realised, and the substance of money is wealth itself, both in its abstraction from its

^a *Summary of all things*—paraphrase of Boisguillebert's expression *précis de toutes les denrées* from his "Dissertation sur la nature des richesses, de l'argent et des tributs", in *Économistes financiers du XVIII^e siècle*, p. 399.—*Ed.*

^b Here page 1 of Notebook II begins. The notebook is headed: "The Chapter on Money (continued)." Written in the upper right-hand corner of the page are the words "Abundance, accumulation".—*Ed.*

particular modes of existence and in its totality.

Exchange value constitutes the substance of money, and exchange value is wealth. In another way, therefore, money is also the embodiment of wealth, as against all the particular substances of which wealth is composed. If, therefore, on the one hand, the form and content of wealth are identical in money considered in itself, on the other hand, money is, in contrast to all other commodities, the general form of wealth in relation to them, while the totality of these particularities constitutes its substance. If money in the first determination is wealth itself, in the second determination it is *its general material representative*. In money itself this totality exists as the imagined quintessence of all commodities. Wealth (exchange value as totality and also as abstraction) therefore exists, to the exclusion of all other commodities, individualised as such, as a particular tangible object, only in gold and silver. Money is therefore the god among commodities.

As an isolated tangible object, money can thus be fortuitously sought, found, stolen, discovered, and general wealth can be tangibly brought into the possession of the individual. From its state of servitude, in which it appears as mere means of circulation, money suddenly becomes the ruler and god in the world of commodities. It represents the celestial existence of commodities, while they represent its earthly existence. Every form of natural wealth, before it is replaced by exchange value, implies an essential relationship of the individual to the object, so that one side of him becomes objectified in the thing and his possession of the thing also appears as a particular development of his individuality: wealth in sheep as the development of the individual as shepherd, wealth in corn as his development as farmer, etc. *Money, on the contrary, as the individuality of general wealth, itself emerging from circulation and merely representing the general, as mere social result, implies no individual relation at all to its owner.* Its possession is not the development of any one of the essential aspects of his individuality, but rather possession of something devoid of individuality, for this social [relationship] exists at the same time as a tangible, external object, of which possession can be taken mechanically and which can similarly be lost.

Its relationship to the individual appears therefore as a purely fortuitous one; while this relationship to a thing quite unconnected with his individuality gives him at the same time, because of the thing's character, general domination over society, over the whole world of enjoyment, labour, etc. It is the same as if e.g. my discovery of a stone, quite independent of my individuality, were

to procure me mastery over all fields of learning. The possession of money relates me to (social) wealth in very much the same way as that in which the philosopher's stone would relate me to all fields of learning.

Money is therefore not only *an* object of the quest for enrichment, it is *the* object of it. It is essentially *auri sacra fames*.^a The quest for enrichment as such, as a particular form of impulse, i.e. as distinct from the quest for particular wealth, e.g. the quest for clothes, weapons, jewellery, women, wine, etc., becomes possible only when general wealth, wealth as such, has been individualised in a particular thing, i.e. when money has assumed its third determination. Money is therefore not only the object but at the same time the source of the quest for enrichment. Avarice is possible without money, but the quest for enrichment is itself the product of a definite social development, not a *natural*, in contrast to an *historical*, development. This explains the lamentations of the ancients about money as the source of all evil. The quest for pleasure in its general form and avarice are two particular forms of greed for money. The abstract quest for pleasure implies an object that can embody the possibility of all pleasures. The abstract quest for pleasure is realised by money in the determination in which it is the *material representative of wealth*; avarice is realised in so far as money is merely the general form of wealth as against commodities as its particular substances. To hoard money as such, the individual must sacrifice all relation to the objects that satisfy particular needs, he must abstain, in order to satisfy his need or greed for money as such. The greed for money or quest for enrichment is necessarily the downfall of the ancient communities. Hence the opposition to it. It itself is the *community*, and cannot tolerate any other standing above it. But this implies the full development of exchange value, hence of a social organisation corresponding to it.

In antiquity, exchange value was not the *nexus rerum*⁶²; it appears as such only among the trading nations, but they had only a CARRYING TRADE and did not themselves produce. At least production was secondary among the Phoenicians, Carthaginians, etc. They could live in the interstices of the ancient world, like the Jews in Poland or in the Middle Ages. Rather, the ancient world was itself the precondition for the existence of such trading peoples. That is why they were ruined every time they came into serious conflict with the communities of antiquity.

^a See footnote^b on p. 100.—Ed.

Among the Romans, Greeks, etc., money appears at first ingenuously in its two initial determinations as measure and means of circulation, in neither in very developed forms. But as soon as their trade, etc., developed or, as with the Romans, conquest supplied money to them [II-2] in abundance—then, suddenly at a certain stage of their economic development, money necessarily appears in its third determination and, the more its development in that form proceeds, the more it appears as the downfall of their community. To act productively, money in its third determination must be, as we have seen, not merely the premiss but just as much the result of circulation. And as the premiss of circulation, it must be itself a moment of circulation, something posited by it. In the case of the Romans, for instance, where money was accumulated by the plunder of the whole world, this was not the case.

It is inherent in the very nature of money itself that it can exist as a developed element of production only where *wage labour* exists, and hence far from dissolving the social order, it is indeed a condition for its development and a driving force for the development of all productive forces, material and spiritual. Today an individual person can still acquire money fortuitously, and its possession can therefore have just as destructive an effect on him as it had on the ancient communities. But the very destruction of this individual in modern society is only the enrichment of the productive part of society. The owner of money in the ancient sense is destroyed by the industrial process which he serves willy-nilly. The destruction concerns only his person. As *material representative of general wealth*, as *individualised exchange value*, money must be the *immediate* object, aim and product of general labour, of the labour of all individuals. Labour must directly produce exchange value, i.e. money. It must therefore be *wage labour*.

The quest for enrichment, being the driving force of everyone, since everyone wishes to produce money, produces general wealth. Only thus can the general quest for enrichment become the source of general wealth, wealth which continually reproduces itself anew. In that labour is wage labour and its immediate purpose is money, general wealth is *posited* as its purpose and object. (*In this context the connection with the transformation of the ancient military system into a mercenary one to be discussed.*) Here, money as an end becomes the means to general industriousness. General wealth is produced in order to seize hold of its representative. In this way, the real sources of wealth are opened up.

Since the aim of labour is not a particular product that bears a particular relation to the particular needs of the individual, but money, wealth in its general form, the industriousness of the individual firstly has no limits. It is indifferent to its particularity and assumes any form that serves the aim; it is inventive in the creation of new objects for social need, etc. It is clear, therefore, that with wage labour as its basis, the effect of money is not destructive but productive; while the ancient community by its very nature was in contradiction to wage labour as its general basis. General industry is possible only where all labour produces general wealth, not a particular form of it; where, therefore, the wage of the individual is also money. Otherwise only particular forms of industry are possible. Exchange value as immediate product of labour is money as its immediate product. The immediate labour that produces exchange value as such is therefore wage labour. Where money is not itself the community, it must dissolve the community.

The ancients could purchase labour directly, a slave; but the slave could not buy money with his labour. An increase in money could make slaves dearer, but could not make their labour more productive. *Negro slavery*—a purely industrial form of slavery which in any case is incompatible with and disappears as a result of the development of bourgeois society—*implies* wage labour; if other, free, states with wage labour did not exist alongside slavery, but it were isolated, all social conditions in the Negro states would immediately revert to pre-civilised forms.

Money as individualised exchange value and thus as incarnate wealth has been sought in alchemy; so it was determined in the monetary system. The prehistory of the development of modern industrial society opens with a general greed for money, on the part of both individuals and states. The actual development of the sources of wealth proceeds, as it were, behind its back, as a means to get possession of the representative of wealth. Where money does not originate from circulation but is physically discovered—as in Spain—the nation is impoverished, while the nations which have to work to take it away from the Spaniards develop the sources of wealth and really enrich themselves. The discoveries, the finding of gold in new parts of the world, in new countries, play such a great role in the history of the revolution because colonisation is being improvised here, forced in hot-house fashion.⁴²

The hunt for gold in all countries leads to their discovery; to the foundation of new states; first of all, to the expansion of the range

of commodities which enter into circulation, creating new wants, and drawing remote parts of the world into the process of exchange and interchange of matter. In this respect, money as the general representative of wealth, as individualised exchange value, was therefore also a two-fold means of expanding wealth into universality and extending the dimensions of exchange to cover the whole earth; of first creating the real *universality* of exchange value in respect to material and space. But it is inherent in the determination of money discussed here that the illusion about its nature, i.e. the preoccupation with one of its determinations in its abstraction and the neglect of the contradictions contained in it, endows money—behind the back of individuals—with this really magical significance. It is in fact by means of this self-contradictory and hence illusory determination, through this abstraction, that money becomes so potent [II-3]^a an instrument in the real development of the forces of social production.

The elementary precondition for bourgeois society is that labour directly produces exchange value, in other words, money; and equally that thereupon money directly buys labour, hence buys the labourer only in so far as he himself sells his activity in exchange. Hence *wage labour* on the one hand, and *capital* on the other, are only different forms of developed exchange value and of money as its incarnation. Money is thus directly at once the *real community*, in so far as it is the general material of existence for all, and also the communal product of all. But, as we have seen, in money the community is also a mere abstraction, a mere external, accidental thing for the individual, and at the same time only a means for his satisfaction as an isolated individual. The community of antiquity implies quite a different relation of the individual in itself. Therefore it is shattered by the development of money in its third determination. Every production is an objectification of the individual. But in money (exchange value) the objectification of the individual is not that of himself in his natural character but that of himself posited in a social determination (relationship), which is at the same time external to him.

Money *posited* in the form of medium of circulation, is *coin*. As coin, it has lost its use value; its use value is coincident with its determination as means of circulation. E.g. it must first be melted down to be able to serve as money as such. It must be

^a In the upper right-hand corner of this page Marx wrote: "BARTER, SALE, COMMERCE—three stages of exchange (Steuart)."—Ed.

demonetised. That is why in the form of coin, money is merely a *symbol* and indifferent to its material. But as coin, money also loses its universal character, taking on a national, local one. It is divided up into coinage of different sorts, according to the material of which it consists, gold, copper, silver, etc. It acquires a political title, and speaks, as it were, a different language in different countries. Finally, in the same country, it acquires different denominations, etc. Money in the third determination as *independently* emerging from and confronting circulation, therefore, negates also its character as coin. It reappears as gold and silver, whether it is melted down into it, or is only valued according to the number of units by weight of gold or silver it contains. It also loses its national character again and serves as means of exchange between nations, as universal means of exchange; no longer as *symbol*, however, but as a definite quantity of gold and silver. In the most developed system of international exchange, gold and silver therefore reappear in just the form in which they played a role already in primitive barter. Gold and silver, like exchange itself, as already mentioned, do not initially appear within the sphere of a social community but at the point at which it ends, at its boundaries; at its not very numerous points of contact with foreign communities. Gold and silver now appear posited as the *commodity* as such, the universal commodity which preserves its character as a commodity at all places. In this determination of its form money is uniformly valid in all places. Only in this way is money the material representative of *general* wealth. In the mercantile system, gold and silver are therefore regarded as the measure of the power of the various communities.

"As soon as the PRECIOUS METALS become OBJECTS OF COMMERCE, A UNIVERSAL EQUIVALENT FOR EVERYTHING, they also become the MEASURE OF POWER BETWEEN NATIONS. Hence the mercantile system" (Steuart [*An Inquiry into the Principles of Political Oeconomy*, Vol. I, p. 327]).

However much the modern economists consider themselves to have advanced beyond the mercantile system, in periods of general crises gold and silver figure in precisely this determination, in the year 1857⁶³ as much as in 1600. In this character, gold and silver [play] an important role in the creation of the world market. Hence the circulation of American silver from West to East; the metallic link between America and Europe, on the one hand, with Asia on the other, since the beginning of the modern epoch. In primitive communities this trade in gold and silver is only incidental, like exchange as a whole, related only to the surplus. But in developed trade, posited as a moment that is essentially

connected with the whole of production, etc. Money no longer appears for the exchange of the surplus, but to balance the surplus in the overall process of international commodity exchange. It is now coin only as *world coin*. But as such it is essentially indifferent to its determination as form of the means of circulation, whereas its material is the all-important thing. As form, in this determination, gold and silver remain the ubiquitous accessible commodity, the *commodity* as such.

(In this first section,⁶⁴ where exchange value, money and price are considered, commodities always appear as already in existence. The determination of form [is] simple. We know that they express characteristics of social production, but the latter itself is their presupposition. But they are *not posited* in this determination. And so in fact the first exchange appears as an exchange of the surplus, which does not embrace and condition the whole of production. It is the *available* surplus of a total production which is outside the world of exchange value. Even in a developed society, this surplus still emerges on the surface as the immediately existing world of commodities. Through itself, however, it points beyond itself to economic relationships which are posited as *relations of production*. The internal structure of production therefore forms the second section; its culmination in the State the third; the international relationship [of production] the fourth; and as the conclusion, the world market, in which production is posited as a totality and all its moments also, but in which simultaneously all contradictions are set in motion. Hence the world market is likewise both the presupposition of the totality and its bearer. Crises are then the general pointer to beyond the presupposition, and the urge to adopt a new historical form.)

"THE QUANTITY OF GOODS AND THE QUANTITY OF MONEY MAY REMAIN THE SAME, AND PRICES MAY RISE OR FALL NOTWITHSTANDING" (namely through greater EXPENDITURE by e.g. the MONIED CAPITALISTS, landlords, State officials, etc. Malthus, [*Principles of Political Economy*, 2nd ed., London, 1836, p. 391] X, 43).⁶⁵

[II-4] As we have seen, money in the form in which it independently emerges from circulation and confronts it, is the negation (negative unity) of its determination as means of circulation and measure.*

* In so far as money is the means of circulation, "the quantity of it that circulates" can "never be individually employed, it must always circulate" (Storch [*Cours d'économie politique*, Vol. II, Paris, 1823, pp. 113-14]). The individual can use money only by divesting himself of it, by positing it as *being for others*, in its social

We have already shown:

Firstly: Money is the negation of the means of circulation as such, of *coin*. But it at the same time includes it as its determination, negatively, since it can always be converted into coin; positively as *world coin*. But as such it is indifferent to its form determination, and is essentially *commodity* as such, ubiquitous commodity, not locally determined. This indifference expresses itself in two ways: *one*, it is now money only as gold and silver, and not as a *symbol* nor in the form of coinage. Hence the *façon*^a put on money as coinage by the State has no value; only its metallic content gives value to the coin. Even in internal trade it has only a temporary, local value,

"because it is no more useful to him who possesses it than to him who possesses the commodities to be bought" [Storch, op. cit., p. 175].

The more domestic trade is conditioned on all sides by foreign trade, the more even the value of this *façon* disappears: it does not exist in private exchange but only appears as a tax. *Then*, as such a *general commodity*, as world coin, gold and silver do not have to return to their point of departure, circulation as such is not necessary at all. *Example*: Asia and Europe. Hence the lamentation of the adherents of the monetary system that money vanishes among the heathens, and does not return (see *Misselden*^b ABOUT 1600). The more the external circulation is conditioned and comprehended by the domestic circulation, the more world coin as such enters into circulation (rotation). We are not yet concerned here with this higher stage, and it is not part of the simple relationship which we are considering here.

Secondly: Money is the negation of itself as simple realisation of the prices of commodities, where the particular commodity always

determination. This, as Storch correctly observes, is why the material of money "must not be indispensable for the existence of man", as are e.g. hides, salt, etc., which are used as money among many nations. For the quantity of it which is in circulation is lost to consumption. Hence, firstly, metals are generally preferred to other commodities as money, and, secondly, the precious metals to those which are useful as instruments of production. It is characteristic of the economists that Storch formulates it thus: the material of money must "have a direct value but based on a *besoin factice* [artificial need]". By *besoin factice* the economist means firstly: the *besoins* that arise from the *social* existence of the individual; secondly, those that are not a consequence of his bare existence as a natural object. This illustrates the desperate internal poverty that is the basis of bourgeois wealth and its science.

^a Stamp.— *Ed.*

^b [E. Misselden,] *Free Trade. Or, the Means to Make Trade Flourish*, London, 1622, pp. 19-24.— *Ed.*

remains the essential factor. Rather, money becomes price realised in itself, and as such both the *material representative of wealth* and the *general form of wealth*, relative to all commodities as merely particular substances of wealth; but

Thirdly: Money is also negated in the determination in which it is merely the *measure* of exchange values. As the general form of wealth and as its material representative, money is no longer the notional measure of something else, of exchange values. For in its metallic existence it is itself the adequate reality of exchange value. The determination of measure must here be posited in money itself. It is its own unit; and the measure of its own value, its measure as wealth, as exchange value, is the quantity of itself which it represents. The multiple of a quantity of itself which serves as unit. As a measure, its amount was of no consequence; as a means of circulation, its substance, the material of which the unit is composed, was of no consequence; but as money in this third determination its own amount as a definite material quantity is essential. Given its quality as general wealth there is no further distinction in it other than the quantitative one. It represents a greater or lesser amount of general wealth, in the proportion in which a given unit of it is possessed in a greater or lesser number.

If it is general wealth, one is the richer the more of it one possesses, and the sole important process for both the individual and the nations is its *accumulation*. In accordance with its determination, it here performed the act of stepping out of circulation. Now this withdrawal from circulation and this *accumulation* of it appear as the essential object of the drive for enrichment and as the essential process of enrichment. In gold and silver I possess general wealth in its pure form, and the more of it I hoard up, the more general wealth I appropriate to myself. If gold and silver represent general wealth, then as certain quantities they represent it only to a certain degree, which is capable of being expanded indefinitely. This accumulation of gold and silver, which takes on the appearance as their repeated withdrawal from circulation, is simultaneously the safeguarding of general wealth against circulation, in which it continually gets lost in exchange for some particular wealth which eventually disappears in consumption.

Among all ancient peoples, the accumulation of gold and silver appears initially as a priestly and royal privilege, since only gods and kings are entitled to the god and king of commodities. Only they are worthy of possessing wealth as such. This accumulation then on the one hand merely for the exhibition of the surplus, i.e.

of wealth as something extraordinary, something only for Sundays; for gifts to the temple and its gods; for public works of art; finally as a *security* for cases of extraordinary emergency, for the purchase of arms, etc. Accumulation later becomes a matter of politics among the ancient peoples. The *State treasury* as reserve fund and the temple are the original banks, in which this holy of holies is preserved. Hoarding and accumulation [attains] its ultimate development in the modern banks, but in this case [II-5] with a more developed determination. On the other hand, with private persons, accumulation as a means of safeguarding wealth in its pure form against the vicissitudes of the external world, the form in which it can be *buried*, etc., in which, in short, it enters into a *very secret* relationship to the individual. This still occurs on a great historical scale in Asia. It is repeated in all PANICS, wars, etc., in bourgeois society, which then falls back into the condition of barbarism. Likewise the hoarding up of gold, etc., for ornaments and display among semi-barbaric peoples. But a very great and continually growing part of gold, etc., withdrawn from circulation as luxury objects in the most developed bourgeois society (see Jacob,^a etc.).

The wealth of individuals is proved precisely by their retaining possession of it as the representative of general wealth, without yielding it up to circulation and employing it for particular needs. And in the same degree as money is developed in its different determinations, i.e. as wealth as such becomes the general yardstick of the worth of individuals, there develops the impulse to exhibit wealth and hence the DISPLAY of gold and silver as representatives of wealth, just as Herr von Rothschild displays as his chosen coat of arms, I believe, two banknotes of £100,000, each in its own frame. The barbaric display of gold, etc., is only a more naive form of this modern exhibition, in that it is less related to gold as money than to gold as something which simply *glitters*. In the modern display gold makes a reflected point, the point that gold is *not* being used as money; the antithetical form to circulation is the important thing here.

The accumulation of all other commodities less original than that of gold and silver:

(1) because of their perishability. Metals as such represent durability relative to other commodities. They are also eagerly accumulated because of their greater scarcity and their exceptional

^a W. Jacob, *An Historical Inquiry into the Production and Consumption of the Precious Metals*, Vol. II, pp. 270-323.—Ed.

character as instruments of production *par excellence*. The precious metals, as they are not exposed to oxidisation in the atmosphere, etc., are even less perishable than the base metals. What other commodities lose is precisely their form; but it is their form which gives them exchange value, while their use value consists in the destruction of this form, in consumption. With money, on the contrary, its substance, its materiality, is the very form in which it represents wealth. If money appears as the commodity which is general everywhere, with respect to space, it now also becomes general in respect to time. It preserves itself as wealth at all times. It has specific durability. It is the treasure which neither moth nor rust doth corrupt.^a All commodities are merely perishable money; money is the imperishable commodity. Money is the ubiquitous commodity; the commodity is only local money. But accumulation is essentially a process which goes on in time. On this aspect *Petty* writes⁶⁶:

“The great and ultimate effect of trade is not wealth at large, but particularly abundance of silver, gold, and jewels, which are not *perishable*, nor so *mutable* as other Commodities, but are wealth at all times, and in all places; whereas abundance of wine, corn, fowls, flesh, etc., are riches but *hic et nunc*,^b so as the raising of such commodities, and the following of such trade, which does store the country with gold and silver, is profitable before others” ([W. Petty, *Several Essays in Political Arithmetick*, London, 1699, pp. 178-79] p. 3). “Suppose that money by way of tax be taken from one who spends the same in superfluous eating and drinking and delivered to another who employs the same in improving of land, in fishing, in working of mines, in manufacture or in the purchase of clothes; then the Commonwealth has an advantage, because even clothes do not altogether perish as soon as meats and drinks. But if the same be spent in furniture of houses, the advantage is yet a little more; if in building of houses, yet more; if in improving of lands, working of mines, fishing, yet more; but most of all, in bringing gold and silver into the country, because those things are not only *not perishable*, but are esteemed for wealth at all times, and everywhere” ([*ibid.*, pp. 195-96] p. 5).

Thus an author of the 17th century. One can see how the conception of gold and silver as the material representative and general form of wealth supplied the real stimulus to their accumulation. The cult of money has its corresponding asceticism, its renunciation, its self-sacrifice—thrift and frugality, contempt for the worldly, temporary and transient pleasures; the pursuit of *eternal* treasure. Hence the connection of English Puritanism or also Dutch Protestantism with money-making. A writer at the beginning of the 17th century (*Misselden*) expressed the matter quite ingenuously in this way:

^a Matthew 6:20.—*Ed.*

^b Here and now.—*Ed.*

“The natural matter of commerce is merchandise, the artificial is money. Money, though it be in nature and time after merchandise, yet forasmuch as it is now in use, become the chief.” He compares this to the two [grand]sons of the old Jacob, who laid his right hand upon the younger and his left hand upon the older^a ([E. Misselden, *Free Trade. Or the Meanes to Make Trade Flourish*, p. 7] p. 24).

“We consume among us a great abundance of the wines of Spain, of France, of the Rhine, of the Levant, and of the Isles; the raisins of Spain, the corinths of the Levant, the cambrics of Hannault^b and the Netherlands, the silks of Italy, the sugars and tobacco of the West Indies, the spices of the East Indies; all which are of no necessity unto us and yet are bought with *ready* money... If it [a commonwealth] vented fewer of the foreign [commodities], and more of the native, the residue must needs return in gold and silver, as treasure” (l.c. [pp. 12, 13]).

The modern economists naturally make fun of such remarks in the general section of their treatises. But if we consider the anxiety expressed in the theory of money in particular, and the feverish anxiety with which the inflow and outflow of gold and silver are watched over in practice in times of crises, we see that to regard money in the determination in which the adherents of the monetary and mercantile system conceived of it with naive one-sidedness is still quite justified, not merely in thought but as a real economic category.

[II-6] This contrast between the actual needs of production and the supremacy of money is most strikingly depicted by *Boisguillebert* (see the striking passages excerpted in my Notebook⁶⁷).

(2) Apart from the perishability of other commodities, their accumulation differs in two essential respects from that of gold and silver, which are here identical with money. For one, the hoarding up of other commodities does not possess the character of a hoarding up of wealth in general, but of a particular wealth, and is therefore itself a particular act of production, where simple accumulation is not sufficient. Special appliances, etc., are required for the storage of grain; the accumulation of sheep does not automatically produce a herdsman; of slaves or land requires master-servant relationships, etc. All this, therefore, requires actions and certain conditions different from simple accumulation, from the augmentation as such of wealth. Secondly, if I now wish to realise the stored-up goods as general wealth, to appropriate to myself wealth in all its particular forms, I must carry on trade with the particular commodities that I have accumulated, I must become a corn dealer, cattle dealer, etc. Money as the *general* representative of wealth relieves me of this.

The ACCUMULATION of gold and silver, of money, is the first

^a Genesis 48:1, 8-20.—*Ed.*

^b A province of the former Spanish Netherlands (now part of Belgium).—*Ed.*

historical appearance of the accumulation of capital and the first great means for this. But as such it is not the accumulation of capital. For that, the re-entry of the accumulated money into circulation itself would have to be posited as a regular feature and means of accumulation.

Money in its final perfected determination now appears in all respects as a contradiction which resolves itself, which drives itself to its own resolution. As the *general form of wealth*, it is confronted by the whole world of real riches. It is their pure abstraction—hence comprehended as such, it is mere imagination. Where wealth appears to exist as such in a quite material, tangible form, it has its existence merely in my mind, is a sheer figment of the imagination. Midas. On the other hand, as the *material representative of general wealth*, money is realised only when it is thrown back into circulation and vanishes in procuring the individual particular forms of wealth. It remains in circulation as the means of circulation; but it is lost to the accumulating individual, and this disappearance is the only possible way in which it can be secured as wealth. The dissolution of the stored-up wealth into individual enjoyments is its realisation. It can now be amassed once more by other individuals, but then the same process commences anew. I can really posit its being for myself only by giving it up as mere being for others. If I want to hold on to it, it evaporates in my hand into a mere phantom of real wealth.

Furthermore, the idea of the augmentation of money by means of its accumulation, the idea that its own quantity is the measure of its value, again proves a delusion. If the other riches are not accumulated it loses its value in the measure in which it is accumulated. What appears as its augmentation is in fact its diminution. Its independence is only a semblance; its independence of circulation exists only in relation to circulation, as dependence on it.

It pretends to be the general commodity, but because of its natural particularity it is again a particular commodity, whose value both depends on demand and supply and changes with its specific production costs. And since it is itself incarnated in gold and silver, it becomes one-sided in any actual form; so that when the one appears as money the other appears as particular commodity, and vice versa, and thus each appears in both determinations.

As absolutely secure wealth quite independent of my individuality, it is simultaneously quite external to me; it is absolutely insecure wealth, which any accidental event can separate from me.

The same is true of the quite contradictory determination of money as measure, as means of circulation, and as money as such. Finally, in the last determination it contradicts itself in yet another way, because it is supposed to represent value as such; but in fact it represents only an identical quantity of variable value. It therefore transcends itself as *perfected* exchange value.

As mere measure, money is already negated in itself as means of circulation; as means of circulation and measure it is negated in itself as money. Its negation in the last determination is thus at the same time its negation in the other two. Negated as mere *general form of wealth*, it must therefore be realised in the particular substances of real wealth; but in actually proving itself as the *material representative* of the totality of wealth, it must at the same time preserve itself as the general form. Its entry into circulation must itself be an element of its staying with itself, and its staying with itself must be an entry into circulation. That is to say, as realised exchange value it must also be posited as process in which exchange value is realised. It is at the same time the negation of itself as a purely objective form, a form of wealth which is external and fortuitous for the individuals. It must appear, rather, as the production of wealth, and this as the result of the relations of individuals to one another in production.

In other words, exchange value is now determined no longer as a simple object, for which circulation is only an external movement, or which exists individually in a particular material, but as a process, as its self-relation by means of the process of circulation. On the other hand, circulation itself is no longer merely the simple process of the exchange of commodities for money and of money for commodities, no longer the mere mediating movement that takes place in order to realise the prices of the different commodities, to equate them as exchange values for one another, where both appear external to circulation: the presumed exchange value, the final withdrawal of the commodity into consumption, and hence the annihilation of exchange value on the one hand; and on the other, the withdrawal of money, which makes it independent of its substance, and which is again another form of its annihilation.

Exchange value itself, and now no longer [II-7] exchange value in general but measured exchange value, must, as a presupposition, appear as posited by circulation and, as posited by it, preposited to it. The process of circulation must appear also as the process of the production of exchange values. It is thus, on the one hand, the return of exchange value into labour, and, on the other hand, of

money into exchange value; which, however, is now posited in a more profound determination. In circulation, the *definite* price is assumed, and it is only formally posited by circulation as money. The *definiteness* of exchange value itself, or the measure of price, must now itself appear as brought about by circulation. Posited in this way, exchange value is *capital*, and circulation is simultaneously posited as an act of production.

Omission: In circulation, as it appears as circulation of money, the coincidence in time of both sides of the exchange is always assumed. But a time gap can occur in between the availability of the commodities to be exchanged. It can be the nature of the reciprocal services rendered that one service is performed today but the reciprocal service can be performed only a year later, etc.

“In the majority of contracts,” says Senior, “only one of the contracting parties has the thing at its disposal and loans it; and if exchange is to take place, one must transfer it at once under the condition of receiving the equivalent only at a later time. Since the value of all things varies in a given period of time, one takes as means of payment the thing whose value varies least, which over the longest period maintains a given average capacity to purchase things. So money becomes the *expression or representative of value*” [N. W. Senior, *Principes fondamentaux de l'économie politique*, Paris, 1836, pp. 116, 117].

According to that, the latter determination of money is in no way connected with its earlier ones. But that is wrong. It is only when money is established as an independent representative of value, that contracts are no longer estimated in e.g. quantities of grain or in services to be performed. (The latter prevails e.g. in feudalism.) It is only a notion of Mr. Senior that money possesses a “long-term average capacity” to maintain its value. THE FACT is that it is made the general material of contracts (*general commodity of contracts*, says Bailey^a) as *general commodity, representative of general wealth* (says Storch^b), *exchange value made independent*. Money must already be highly developed in its first two determinations to appear generally in its third. Now, it turns out in fact that the value of money can vary even though its quantity remains uniformly the same; that altogether, as a definite quantity, money is subject to the variability of all values. Here its nature as a particular commodity asserts itself over its general determination. [Money] as measure is indifferent to changes in its value, for

^a [S. Bailey,] *Money and Its Vicissitudes in Value*, London, 1837, p. 3.—Ed.

^b H. Storch, *Cours d'économie politique*, Vol. II, p. 135.—Ed.

“in a variable medium, two different relations to that medium can be expressed as well as in a constant”.^a

As means of circulation it is also indifferent to changes in its value, for its quantity as such is posited by the measure. But as *money*, as it appears in contracts, it is affected [by such changes], just as, in general, its contradictions come to the fore in this determination.

To be inserted in particular sections:

(1) *Money as coin*. Coinage can be dealt with very summarily here. (2) An historical survey of the sources of supply of gold and silver. Their discoveries, etc. The history of their production. (3) Causes of VARIATIONS in the value of the precious metals and thus of metallic currency; effects of these changes on industry and the different classes. (4) *Above all* the QUANTITY of money in circulation in relation to the rise and fall of prices. (16th century; 19th century.) In this connection also to be examined how money is affected as a measure by increases in its QUANTITY, etc. (5) On circulation: velocity, necessary quantity, the effect of circulation; more, or less, developed circulation, etc. (6) The dissolving effect of money.

(*This to be inserted.*) (Include here the specifically economic investigations.)

(The specific gravity of gold and silver, its containing much weight in a relatively small volume, AS COMPARED WITH OTHER METALS, recurs in the world of value, where gold and silver contain great value (labour time) in a relatively small volume. The labour time realised in it, its exchange value, is the specific gravity of the commodity. This makes the precious metals especially suitable for use in circulation (since one can carry a considerable portion of value in one's pocket) and for accumulation, since a large value can be securely kept and stored up in a small space. Gold does [not] change while it is being accumulated, unlike iron, lead, etc. It remains what it is.)

“If Spain had never possessed the mines of Mexico and Peru, it would never have needed the corn of Poland” (Ravenstone [*Thoughts on the Funding System, and Its Effects*, London, 1824, p. 20]).

“Illi unum consilium habent et virtutem et potestatem suam bestiae tradunt. Et ne quis posset emere aut vendere, nisi qui habet characterem aut nomen bestiae, aut numerum nominis ejus” (*Apocalypse. Vulgata*).^b

^a This passage is a summary of the relevant arguments from Samuel Bailey's book, *Money and Its Vicissitudes in Value* (pp. 9-10).—Ed.

^b “These have one mind, and shall give their power and strength unto the beast ... and that no man might buy or sell, save he that had the mark, or the name of the beast, or the number of his name” (Revelation 17:13, 13:17).—Ed.

“The correlative quantities of commodities that one gives up for one another, constitute the price of commodities” (Storch [*Cours d'économie politique*, Vol. I, p. 72]).

“Price is the *degré de la valeur échangeable*^a” (l.c. [p. 73]).

As we have seen, in simple circulation as such (in exchange value in its movement), the action of individuals upon one another is in content only the reciprocal self-interested satisfaction of their needs; in its form, it is exchange, positing things as equal to each other. (equivalents). Hence property, too, is still posited here only as the appropriation of the product of labour by labour, and of the product of someone else's labour by one's own labour, in so far as the product of one's own labour is bought by someone else's labour. Property in someone else's labour is acquired through the equivalent of one's own labour. This form of property—just like freedom and equality—is posited in this simple relationship. In the course of the further development of exchange value, this will be transformed, and ultimately it will appear that the private property in the product of one's own labour is identical with the separation of labour and property; as a result, one's labour will create someone else's property and property will command someone else's labour.

^a Degree of exchange value.—*Ed.*

[III. CHAPTER ON CAPITAL⁶⁸]

[Section One]

[THE PROCESS OF PRODUCTION OF CAPITAL]

[II-8] Chapter on Money as Capital

[TRANSFORMATION OF MONEY INTO CAPITAL]

What makes the comprehension of money in its fully developed character as money especially difficult—difficulties from which political economy seeks to escape by neglecting one of the aspects of money in favour of another, and when confronted by the one appealing to the other—is that here a social relationship, a specific relationship of individuals to one another, appears as a metal, a stone, a purely corporeal object outside individuals, something which is found as such in nature, and in which not a single aspect of its form remains to be distinguished from its natural existence. Gold and silver are not money in and for themselves. Nature no more produces money than it produces a rate of exchange or bankers. In Peru and Mexico, gold and silver were not used as money, although they can be found as jewelry and a developed system of production existed there. To be money is not a natural property of gold and silver, and is therefore entirely unknown to the physicist, chemist, etc., as such. But money is directly gold and silver. Considered as a measure, its specific form still predominates; still more as coin, where this also appears externally in the stamp on the face of the coin. But in the third determination of money, i.e. in its perfected form, in which to be measure and coin appears as merely a function of money, all specificity of form has disappeared, or it coincides directly with its metallic existence. It does not at all appear on its face that it has acquired the function of money as the mere result of the social process; it *is* money.

This is the more difficult to understand since the immediate use value of precious metal for the living individual bears no relation at all to this role, and altogether, in its role as incarnation of pure exchange value, the recollection of its use value as distinct from exchange value is completely extinguished. Consequently, the basic contradiction contained in exchange value and in the correspond-

ing social mode of production here stands out in its purest form. The attempts to abolish this contradiction by divesting money of its metallic form and postulating it as something also externally *posited* by society, as the expression of a social relationship of which the ultimate form would be labour money, have already been criticised above^a. It must be quite clear by now that this is mere folly so long as the basis of exchange value is maintained; and, even more, that the illusion that metallic money perverts exchange arises from a complete ignorance of the nature of money. On the other hand, it is also clear that, as the opposition to the dominant relations of production grows, and as these relations themselves push ever more insistently towards casting off the old skin, the polemic turns against metallic money or money in general as the most striking, most contradictory and harshest aspect in which the system tangibly confronts us. Contradictions, of which money is merely the palpable manifestation, are then to be transcended by means of all kinds of artificial monetary manipulations. It is no less clear that many revolutionary operations with money can be carried out, in so far as an attack on it appears only to rectify it while leaving everything else unchanged. We then beat the sack on the donkey's back, while aiming at the donkey. But so long as the donkey does not feel the blows, one actually beats only the sack, not the donkey; contrariwise, if he does feel the blows, we are beating him and not the sack. As long as the operations are directed against money as such, it is simply an attack upon the effects, while the causes remain operative; in other words, a disturbance of the productive process which the solid basis [of the process] has the strength to take and to master—by a more or less violent reaction to it—as a merely temporary *disturbance*.

On the other hand, in so far as the monetary relationship has hitherto been developed in its pure form, and without reference to more highly developed relations of production, it is inherent in its role that, in monetary relationships simply conceived, all immanent contradictions in bourgeois society appear to be extinguished. Bourgeois democracy therefore falls back on this in its apologetics for existing economic relationships. Bourgeois economists are less inclined to do so (they are at least consistent enough to go back to even simpler determination of exchange value and exchange).

Indeed, in so far as the commodity or labour is now only

determined as exchange value, and the relationship of the different commodities to one another is now only determined as the mutual exchange—the equating—of these exchange values, the individuals—the subjects between whom this process takes place—are only and simply determined as exchangers. There is absolutely no difference between them, so far as their specific form is concerned, and this is the economic role, the role in which they stand in a commercial relationship to each other; it is the indicator of their social function or social relationship to one another. Each of the subjects is an exchanger, i.e. each has the same social relationship to the other as the other has to him. As subjects of exchange, their relation is therefore that of *equality*. It is impossible to find any trace of a difference, let alone of a conflict between them, not even a distinction. Furthermore, the commodities which they exchange are, as exchange values, equivalents or at least count as such. (They could only make subjective mistakes in their valuation of each other's commodity; and if one individual were to cheat the other, this would *not be because of the nature of the social function in which they confront each other*, for this is *the same*; in this they are *equal*; but only because of the natural cunning, the arts of persuasion, etc., in short because of the purely individual superiority of the one individual over the other. The difference would be a natural one, having nothing to do with the nature of the relationship as such, and which, as further analysis will show, will even be weakened by competition, etc., and robbed of its original force.)

Considering the pure form, the economic aspect of the relationship, there emerge only three formally distinct moments. (The content outside this form here really does not concern political economy; or it is posited as a natural content distinct from the economic; and it can be said to be completely distinct from the economic relationship, because it still directly coincides with it.⁶⁹) These three moments are: the subjects of the relationship, the *exchangers*, posited in the same role; the objects of their exchange, exchange values, *equivalents*, [II-9] which not only are equal but are explicitly supposed to be equal, and are posited as equal; finally, the act of exchange itself, the mediation by which the subjects are posited precisely as exchangers, equals, and their objects as equivalents, as equal. The equivalents are the objectification of the one subject for the others, i.e. they themselves are of equal worth and prove themselves in the act of exchange as of equal value and at the same time as indifferent to one another. The subjects exist for one another in exchange only through the

^a See this volume, pp. 64-67.—*Ed.*

equivalents, as individuals of equal value, and prove themselves as such by the exchange of the objectivity in which the one exists for the others. Since they only exist for one another in this way, as individuals of equal value, as possessors of equivalents who prove this equivalence in exchange, they are both equivalent and at the same time indifferent to one another. Any other individual difference between them does not concern them; they are indifferent to all other properties they may individually possess.

The act of exchange is both the positing and the confirmation of exchange values as well as of the subjects as exchangers. The content falling outside the act of exchange, outside the specific economic form, can only consist of: (1) the natural particularity of the commodities exchanged; (2) the particular natural need of the exchangers. Or, combining both aspects, the different use value of the commodities to be exchanged. So far from compromising the social equality of individuals, this content of exchange, which lies wholly outside the specifically economic form, turns their natural difference into the basis of their social equality. If individual *A* had the same need as individual *B*, and had realised his labour in the same object as individual *B*, no relation at all would exist between them. From the viewpoint of production, they would not be different individuals at all. Both of them must breathe; for both of them the air exists as the atmosphere; but this does not bring them into any social contact. As individuals who must breathe, they are related to one another not as persons but only as natural bodies. Only the difference of their needs and their production is the occasion for exchange and for their being socially equated in it. Hence this natural difference is the precondition of their social equality in the act of exchange and of this relationship in general, in which they relate to each other as productive agents. Regarded in the light of this natural difference, individual *A* exists as the possessor of a use value for *B*, and *B* exists as the possessor of a use value for *A*. In this respect their natural difference again places them in the relationship of mutual equality. However, this does not make them indifferent to one another, but integrate with one another, they need each other, so that individual *B*, objectified in his commodity, is needed by *A* and vice versa. Accordingly, they stand not merely in a relation of equality to one another, but also in a social relation.

More: the fact that the need of the one individual can be satisfied by the product of the other and vice versa, and that the one is able to produce the object for the other's need, and that each confronts the other as possessor of the object of the other's

need, shows that as a *human being* each transcends his own particular needs, etc., that they are behaving towards each other as men, that their common species being is known by all. This is unique. Elephants do not produce for tigers, or animals for other animals. A swarm of bees, for instance, *au fond* constitutes only one bee, and all the bees produce the same thing.

Moreover, in so far as this natural difference between individuals and their commodities^a constitutes the motivation for their integration, for their social relationship as exchangers, in which they are *presupposed* as and *prove* themselves to be equals, *freedom* comes to play a role in addition to equality. Although individual *A* may feel a need for the commodity of individual *B*, he does not seize it by force, or vice versa; *A* and *B* recognise each other as owners, as persons, whose commodities are permeated by their will. Accordingly, the juridical concept of the person comes in here, as well as that of freedom in so far as it is contained therein. Neither forcibly takes possession of the property of the other; each disposes of it voluntarily.

But this is not all. Individual *A* satisfies individual *B*'s need by means of the commodity *a* only to the extent that and because individual *B* satisfies individual *A*'s need by means of commodity *b*, and vice versa. Each serves the other in order to serve himself; and makes reciprocal use of the other as his means. Each individual is now conscious that (1) each attains his end only in so far as he serves the other as means; (2) each becomes a means for the other (being for another) only as end for himself (being for himself); (3) this reciprocity whereby each is at once means and end, and moreover attains his end only in so far as he becomes means, and only becomes means in so far as he posits himself as end for himself, in other words that each posits himself as being for another in so far as he is being for himself, and the other as being for him in so far as he is being for himself—that this reciprocity is a necessary FACT, presupposed as a natural condition of exchange, but that it is as such a matter of indifference for each of the two subjects of exchange, and is of interest to each of them

^a Here Marx inserted the following passage in brackets: "Products, labour, etc., are not at all differentiated here yet⁷⁰ but exist only in the form of commodities or, as Mr. Bastiat, echoing Say, wishes to put it, *services*⁷¹; Bastiat imagines that by reducing the economic role of exchange value to its natural content, commodity or service, thereby showing himself unable to grasp the economic relationship of exchange value as such, he has made a great advance over the classical economists of the English school, who are able to grasp the relations of production as such in their specific characteristics, in their pure form."—*Ed.*

only in so far as it satisfies his own interest as excluding that of the other, without relation to it.

This means that the social interest which appears as the motive of the act as a whole, is certainly recognised as a FACT on both sides, but as such it is not the motive, but goes on, as it were, merely behind the back of the self-reflected⁷² particular interests, behind the back of an individual's interest in contrast to that of the other. In this latter respect, the individual can at most have the consoling awareness that the satisfaction of his individual interest as opposed to that of the other is precisely the realisation of the transcended [II-10] antithesis, of the general social interest. From the act of exchange itself, the individual, each of them, is reflected in himself as the exclusive and dominant (determining) subject of the exchange. With that the complete freedom of the individual is posited: voluntary transaction; force on neither side; positing of oneself as means, or as serving, only as a means to posit oneself as end in oneself, as the dominating and transcending element; ultimately realising the selfish interest, not an interest standing above it. The other party to the exchange is also recognised and known as likewise realising his own selfish interest, so that both know that the social interest is nothing but the exchange of the selfish interest in its duality, many-sidedness and autonomy. The general interest is nothing but the generality of selfish interests.

Thus, if the economic form, exchange, in every respect posits the equality of the subjects, the content, the material, both individual and objective, which impels them to exchange, posits *freedom*. Hence equality and freedom are not only respected in exchange which is based on exchange values, but the exchange of exchange values is the real productive basis of all *equality* and *freedom*. As pure ideas, equality and freedom are merely idealised expressions of this exchange; developed in juridical, political and social relations, they are merely this basis at a higher level. And indeed this has been confirmed by history. Equality and freedom at the higher level are the exact opposite of freedom and equality in the ancient world, which were not based on developed exchange value, but which on the contrary perished through its development. They presuppose relations of production not yet realised in the ancient world, nor indeed in the Middle Ages. Direct forced labour was the foundation of the ancient world; it was on this existing basis that the community rested. Labour itself regarded as a privilege, as still particularised, not labour generally producing exchange values, was the foundation of the Middle

Ages. [Modern] labour is neither forced labour, nor, as in the second case, is it carried on with reference to something common, as something higher (corporations).

Admittedly, it is true that [the relationship of] the exchangers is also based on a certain coercion when considered from the viewpoint of their motive for carrying on exchange, i.e. their natural needs, which fall outside the economic process. But on the one hand, this relationship itself is merely the indifference of the other for my need as such, for my natural individuality; in other words, his equality with me and his freedom, which is, however, just as much the precondition of mine. On the other hand, in so far as I am conditioned, forced by my needs, it is merely my own nature as a totality of needs and impulses (or, posited in a general, reflected form, my *interest*) that does violence to me, not something alien. But it is after all also precisely this aspect of me with which I coerce the other, driving him into the system of exchange.

In Roman Law the *servus* is therefore correctly defined as one who can acquire nothing for himself by means of exchange (see *Institutiones*⁷³). It is therefore clear that this *law*, although it corresponds to a state of society in which exchange was by no means developed, nevertheless, in as much as it was developed in a certain sphere, could evolve *the definitions of the legal person, i.e. the individual engaged in exchange*, and could thus (at least in basic principle) anticipate the legal system of industrial society. Above all, it could be upheld as the law of emerging bourgeois society as against the Middle Ages. It is significant that its development coincides exactly with the dissolution of the Roman community.

Since exchange value is only realised in money, and the system of exchange value has only been realised with the rise of a developed money system or conversely, the money system can in fact only be the realisation of this system of freedom and equality. As a measure, money merely gives a definite expression to the equivalent. It turns it into the equivalent also in form. In the process of circulation, it is true, a distinction in form arises: the two parties to the exchange appear in the distinct roles of buyer and seller; exchange value appears first as general in the form of money, then as particular in the natural commodity, which now has a price. However, firstly, these forms alternate; circulation itself does not establish inequality, but is an equalisation, a transcendence of the merely imagined difference. The inequality is purely formal. Finally, equality is established quite objectively in money when in circulation, appearing now in the hands of one

person, now in the hands of another, and quite indifferent to where it appears. In the process of exchange, each party appears to the other as the possessor of money, as money itself. Hence the indifference and equivalence gain explicit existence in the form of the object. The particular natural difference that characterised the commodity is extinguished and is continually being extinguished by means of circulation. A worker who buys a commodity for 3s. appears to the seller in the same function, in the same equality, in the form of 3s., as the king who buys this commodity. All difference between them is extinguished. The seller qua seller appears only as the possessor of a commodity priced at 3s., so that both [buyer and seller] are perfectly equal, except that the 3s. exist once in the form of silver, the other time in the form of sugar, etc.

In the third form of money, it might appear that the subjects of the process play different roles. But in so far as money here appears as material, as the universal commodity of contracts, all distinction between the parties to the contract is in fact extinguished. In as much as money becomes the object of accumulation, the subject here [II-11] appears only to withdraw money, the universal form of wealth, from circulation, in so far as he does not withdraw from it commodities for the same price. If, therefore, one individual accumulates while the other does not, neither does so at the expense of the other. The one enjoys real wealth, the other gains possession of the universal form of wealth. If one becomes impoverished while the other enriches himself, it is by their own free will and in no way the result of economic conditions, of the economic relation in which they stand to one another. Even inheritance and similar juridical relationships, which perpetuate inequalities arising in this manner, do not impair this natural freedom and equality. If the original relationship of individual *A* is not in contradiction with this system, such a contradiction certainly cannot be created by individual *B* taking the place of individual *A*, thus perpetuating him. Rather, inheritance makes the social determination valid beyond the natural length of [human] life; it reinforces the social determination against the casual impact of nature, whose effect as such would indeed be tantamount to the transcendence of the freedom of the individual. Besides, since the individual in this relationship is merely the individuation of money, he is as such just as immortal as money, and his representation by his heirs is nothing but the realisation of this role.

If this way of looking at the matter is not emphasised in its historical significance, but held up in refutation of the more highly

developed economic relationships in which individuals emerge no longer as mere exchangers or buyers and sellers but in specific relationships to one another, in which they no longer all have the same character—this would amount to the assertion that no difference exists between natural bodies, still less antagonism and contradiction, because they are e.g. all heavy and consequently equal in so far as defined by having weight; or that they are equal because they are all spatially three-dimensional. Also exchange value itself is here taken in its simple character as against its more developed antagonistic forms. Seen as part of the process of science these abstract roles appear as the first and most rudimentary. To some extent this is how they occur in history; what is more highly developed appears later. In the totality of existing bourgeois society, this postulation as price and its circulation, etc., appears as the superficial process, below which, in the depths, quite other processes occur in which the apparent equality and freedom of individuals disappear.

On the one hand, it is forgotten that right from the start the *premiss* of exchange value as the objective basis of the whole system of production already implies coercion of the individual, that his immediate product is not a product for himself but *becomes* such only in the social process, and *is obliged* to adopt this general and nevertheless exterior form. It is forgotten that the individual no longer exists except as a producer of exchange value. This implies the complete negation of his natural existence; hence he is wholly determined by society. It is forgotten, moreover, that this also presupposes division of labour, etc., in which the individual is already placed in relationships other than those of mere *exchangers*, etc. It is forgotten that, consequently, the premiss [of the individual as producer of exchange value] in no way arises either from the individual's will or his immediate nature, but is *historical*, and already assumes the individual as *determined* by society.

On the other hand, it is forgotten that the higher forms in which exchange or the relations of production realised in exchange now appear, certainly do not remain in this simple determinateness, where the greatest difference which develops is formal and hence insignificant.

Finally, it is overlooked that the antagonism of wages^a and capital, etc., is already latent in the simple determination of

^a The use of the word *Arbeitslohn* (wages for labour) instead of *Lohnarbeit* (wage labour) may be a slip of the pen.—Ed.

exchange value and money. What this wise approach therefore amounts to is a refusal to advance beyond the simplest economic relationships. Conceived of in isolation these are pure abstractions; but in reality they are mediated by means of the most profound contradictions, and present an aspect in which the expression of these contradictions is blurred.

On the other hand, this also shows the folly of those socialists (especially the French socialists, who wish to prove socialism to be the realisation of the ideas of *bourgeois* society enunciated by the French Revolution) who purport to demonstrate that exchange, exchange value, etc., were *originally* (in time) or are *essentially* (in their adequate form) a system of the freedom and equality of all, but have been perverted by money, capital, etc. Or alternately, that history has so far failed in its attempts to realise exchange and exchange value in their real essence, and that now the socialists, e.g. Proudhon, have discovered the genuine recipe which will substitute the true history of these relationships for the false. The answer to them is as follows: exchange value or, more precisely, the money system, is indeed the system of freedom and equality, and what disturbs them in the more recent development of the system are disturbances immanent to the system, i.e. the very realisation of *equality and freedom*, which turn out to be inequality and unfreedom. It is an aspiration as pious as it is stupid to wish that exchange value would not develop into capital, or that labour which produces exchange value would not develop into wage labour. What distinguishes these gentlemen from the bourgeois apologists is, on the one hand, their awareness of the contradictions inherent in the system and, on the other, their utopianism, manifest in their failure to grasp the inevitable difference between the real and ideal shape of bourgeois society, and the consequent desire to undertake the superfluous task of changing the ideal expression itself back into reality, whereas it is in fact merely the photographic image [Lichtbild] of this reality.

[II-12] Now behold, in opposition to these socialists, the vapid arguments of the degenerate political economy of the most recent times,^a claiming to *prove* that economic relationships always express the *same* simple determinations and hence always express

^a Here Marx inserted the following passage in brackets: "Whose classical representative, as regards tediousness, affectation of dialectics, philistine conceit, silly, self-satisfied triviality, and complete inability to conceive of historical processes, is *Frederick Bastiat*, for the American *Carey* at least brings out the particular American situation as against the European."—*Ed.*

the equality and freedom of the simply determined exchange of exchange values, which amounts to nothing but infantile abstraction. For example: the relationship of capital and interest is reduced to the exchange of exchange values. No sooner is it admitted on the basis of experience that exchange value not only exists in this simple determinateness but also in the essentially different one as capital, than capital is reduced once more to the simple concept of exchange value; and, what is more, interest, which expresses a definite relationship of capital as such, is likewise divested of its specific form and equated to exchange value. The entire relationship in its specific form is turned into an abstraction and reduced to the undeveloped relationship of the exchange of commodity for commodity. If I abstract from that which distinguishes something concrete from its abstract form it [the result] is naturally the abstract and [turns out to be] in no way different from it. *According to this procedure, all economic categories are only various names given to one and the same relationship, and this crude inability to grasp the real differences between them is then supposed to represent pure COMMON SENSE as such. Hence the "economic harmonies" of Mr. Bastiat amount au fond to asserting that only a single economic relationship exists which adopts different names, or that difference can occur only in nomenclature.* His reductionism is not even formally scientific in the sense that everything is reduced to one real economic relationship ignoring the difference inherent in development. He merely ignores now one aspect, now another, so as to bring out now one side of the identity, now another.

For example, the wages for labour are said to be payment for the service which one individual renders to another. (Here, as already pointed out above, the economic form as such is ignored.) Profit is also defined as the payment for the service which one individual renders to another. Consequently, wages for labour and profit are identical, and it is really an aberration of language which leads us to call one payment "wages" and the other "profit". But now for profit and interest. In profit, the payment for service is exposed to risk; in interest, it is fixed. Hence, since in wages payment is relatively fixed, while in profit, in contrast to labour, it is exposed to risk, the relationship between interest and profit is the same as that between wages and profit, which, as we have seen, is a reciprocal exchange of equivalents. The opponents [of Bastiat]⁷⁴ then take these trivialities literally (which arise because they go back from economic relationships in which the conflict is explicit to those in which it is still merely latent and obscured) and purport to prove that, e.g. with capital and interest,

there is not a simple exchange, in that capital is not replaced by an equivalent, but that after the owner has consumed 20 times the equivalent in the form of interest, he still has it in the form of capital and can exchange it again for 20 new equivalents. Thus we get the unedifying debate in which one side asserts that there is no difference between developed and undeveloped exchange value, while the other asserts that such a difference unfortunately does exist, but in all fairness should not.

Money as capital is a determination of money that goes beyond its simple determination as money. It can be considered as a higher form of realisation just as it might be said that man is a developed ape. In this case, however, the lower form is taken as the transcending subject and set above the higher form. In any case, *money as capital* is distinct from *money as money*. We must analyse the new determination. On the other hand, *capital as money* appears to be the retrogression of capital into a lower form. But it is only the positing of capital in a particular form which as non-capital already exists prior to it, and constitutes one of its presuppositions. Money recurs in all later relationships, but then it no longer functions as mere money. If, as at this point, our first task is to follow its development up to its totality as money market, the rest of the development is presupposed, and must be brought into the argument from time to time. Thus, we consider here the general determination of capital before we go on to discuss its particular form as money.

If, like e.g. Say, I define capital as a *sum of values*,^a I am saying nothing more than that *capital = exchange value*. Every sum of values is an exchange value, and every exchange value is a sum of values. I cannot get from exchange value to capital by simple addition. As we have seen, the mere accumulation of money does not yet imply the relationship of capitalisation.

In what is called retail trade, the daily commerce of bourgeois life, as it is carried on directly between producers and consumers, in petty trade, the aim is the exchange of the commodity for money on the one hand and the exchange of money for a commodity on the other, for the satisfaction of individual needs. And it is only in this movement, which takes place on the surface of the bourgeois world, that the movement of exchange values,

^a J. B. Say, *Traité d'économie politique*, 3rd ed., Vol. II, pp. 428 and 478.—Ed.

their circulation, proceeds in its pure form. A worker who buys a loaf of bread, and a millionaire who does the same, appear in this transaction merely as simple purchasers, just as the shopkeeper appears to confront them merely as a seller. Here all their other characteristics are extinguished. The *content* as well as the *volume* of their purchases appear completely irrelevant [II-13] to this specific form.

In theory, the concept of value is antecedent to that of capital but, on the other hand, its pure development presupposes a mode of production based on capital. The same is true in practice. For this reason the economists necessarily view capital on the one hand as the creator and source of values, and on the other hand they presuppose value for the formation of capital and represent capital itself only as a sum of values in a particular function. The existence of value in its pure state and generality presupposes a mode of production in which the individual product has ceased to exist as such for the producer in general, and still more for the individual worker, and is nothing unless realised in circulation. For the person who produces an infinitesimal part of a yard of cotton, it is not a formal definition that it is value, exchange value. If he had not produced an exchange value, money, he would have produced nothing at all. Hence, this determination of value presupposes a given historical stage of the social mode of production and is itself a historical relationship arising out of that stage.

On the other hand, individual moments of the determination of value develop at earlier stages of society's historical process of production and appear as its result.

Within the system of bourgeois society, therefore, capital directly follows upon value. *Historically*, it is *preceded by other systems* which constitute the material basis for the less complete development of value. Just as exchange value here only figures incidentally alongside use value, not capital but the relation of landed property appears as the real basis. Modern landed property, by contrast, cannot be understood at all [in this context], because its existence presupposes that of capital, and historically it does in fact develop as the earlier historical version of landed property turned by capital into a form adequate to itself. Thus the development of landed property is particularly suitable for the study of the gradual victory and establishment of capital. That is why Ricardo, the economist of the modern era, with a fine sense of history chose to examine the relations of capital, wage labour and ground rent within the boundaries of landed property, in order to

describe them in their specific form. The relationship of the industrial capitalist to the landlord appears to lie outside the sphere of landed property. But as the relationship of the modern farmer to the recipient of rent, it appears immanent in landed property itself, and the latter now appears to exist only in relation to capital. In fact, the history of landed property, demonstrating the gradual transformation of the feudal landlord into the recipient of rent, of the hereditary, half-tributary and often unfree tenant into the modern farmer, and of the serf and villein tied to the soil and subjected to labour-services into the agricultural day-labourer, would be the history of the formation of modern capital. It would include the relationship [of landed property] to urban capital, trade, etc. But here we are concerned with bourgeois society as it has become, developing on its own basis.

In the first instance capital emerges from circulation, and money is its point of departure. We have seen^a that money entering into circulation, and at the same time returning from circulation into itself, is the ultimate form of money, in which money is transcended. It is simultaneously the first concept of capital and the first form in which capital appears. Money has negated itself as something merely absorbed in circulation; but it has likewise negated itself as something independently confronting circulation. This negation, taken as a whole, in its positive aspects, contains the first elements of capital. Money is the first form in which capital appears as such. $M—C—C—M$; the exchange of money for the commodity and of the commodity for money; *this movement of buying in order to sell, which constitutes the specific form of trade, capital as merchant capital*, is found in the earliest periods of economic development. It is the first movement in which exchange value as such forms the content of the exchange, is not only form but its own content. This movement can take place within peoples and between peoples for whose production exchange value has by no means yet become the prerequisite. The movement only touches the surplus of their output, which is still directed towards the satisfaction of their immediate needs, and takes place only on the boundary of production. Special trading peoples could play this mediating role between peoples whose mode of production did not yet presuppose exchange value as its basis. Thus in antiquity, and later the Lombards, thus the Jews within the old Polish society or in medieval society in general.

Commercial capital is merely circulating capital, and circulating

^a See this volume, p. 167.—*Ed.*

capital is the first form of capital, a form in which it *has by no means yet become the basis of production*. A more developed form of capital is *money capital and monetary interest*, usury, whose independent appearance likewise belongs to an early stage of development. Finally, the initial appearance of merchant capital presupposes the form, $C—M—M—C$, in which money and circulation in general appear as mere means for the *circulating commodity*, which for its part leaves circulation again and directly satisfies needs. The preconditions appear to be distributed among different peoples, or within society commercial capital as such is conditioned only by this circulation directed purely towards consumption. On the other hand, the *circulating commodity*, the commodity that is realised only by adopting the form of another commodity which drops out of circulation and satisfies immediate [II-14] needs, is also an original form of capital, which is essentially *commodity capital*.

On the other side, it is equally clear that the simple movement of exchange values, as it is present in pure circulation, can never realise capital. It can lead to the withdrawal and hoarding of money, but as soon as money enters into circulation again it is dissolved in a series of exchange processes with commodities, which are consumed. It is therefore lost once its purchasing power has been exhausted. Equally, the commodity that has been exchanged for a commodity by means of money, drops out of circulation to be consumed, destroyed. But if it is made independent of circulation as money, it now represents only the non-substantial general form of wealth. Since equivalents are exchanged for one another, the form of wealth which is fixed as money disappears as soon as that money is exchanged for the commodity, and the use value existing in that commodity disappears as soon as the commodity is exchanged for money. By means of the simple act of exchange, each can only be lost in its determination for the other when it is realised in the other. Neither can maintain itself in its own determination by transforming itself into the other. The sophistries of the bourgeois economists, who whitewash capital by purporting to reduce it to pure exchange, have therefore been countered by the demand—no less sophisticated but justified against them—*really* to reduce capital to pure exchange, whereby it would disappear as a [social] power and be destroyed either in the form of commodity or money.*

* Just as exchange value, i.e. all relations of commodities as exchange values, appears as a thing in *money*, so in *capital* all determinations of the activity producing exchange values, *labour*, [appear as a thing].

The repetition of the process from both points, money or commodity, is not implied in the conditions of exchange itself. The act can only be repeated until it is completed, i.e. until there has been exchange up to the amount of the exchange value. It cannot rekindle itself. *Circulation therefore does not contain in itself the principle of self-renewal. Its moments are presupposed in it, not posited by it itself.* New commodities must continually be thrown into it from without, like fuel into fire. Otherwise it goes out in indifference. It would be extinguished in money as the indifferent result. For in so far as it no longer related to commodities, prices, circulation, money would cease to be money and to express a relationship of production; it would now continue to exist only as a metal but not economically. Circulation therefore, which appears as that which is immediately present on the surface of bourgeois society, exists only in so far as it is continually mediated. Considered in itself, it is the mediation of presumed extremes. But it does not posit these extremes. Hence it must itself be mediated not only in each of its moments but as the totality of mediation, as a total process. Its immediate being is therefore pure semblance. *It is the image of a process occurring behind it.*

Circulation is now negated in each of its moments—as commodity—as money—and as relation between them, as simple exchange and as circulation of both commodity and money. If originally the act of social production appeared as the positing of exchange values and this, in its further development, appeared as circulation—as the fully developed reciprocal movement of exchange values—then circulation itself now goes back into the activity that posits or produces exchange values. It goes back into it as into its ground. Commodities (whether in their particular form or in the general form of money) are the premiss of circulation, and these are the realisation of a definite labour time, and as such are values. Circulation therefore presupposes both the production of commodities by labour as well as their production as exchange values. This is its point of departure and by its own movement it returns into the production which creates exchange values as its result.

Once again, therefore, we have arrived back at the point of departure: *production* which creates, which posits, exchange values. But now it *presupposes circulation as a developed moment* and appears as a constant process positing circulation and continually returning from circulation back into itself, in order to posit it anew. Hence the movement which posits exchange values now appears in a much more complex form, in that it is no longer only the

movement of the presupposed exchange values or the movement which formally posits them as prices, but the movement which simultaneously creates, produces, exchange values as its own premiss. Production itself is here no longer present before its results, is no longer presupposed, but appears as something which itself simultaneously produces these results. But it no longer produces these results as merely leading to circulation, as at the first stage, but as simultaneously presupposing circulation, developed circulation, in its process. (*Au fond*, circulation only consists in the formal process of positing exchange value, now in the determination of commodity, now in that of money.)

This movement appears in different forms, both historically as giving rise to labour which produces value and also, on the other hand, within the system of bourgeois production itself, i.e. production which posits exchange values. In the case of barbarian or semi-barbarian peoples, the trading peoples at first act as intermediaries; or else tribes whose production is different in character due to natural conditions enter into contact with each other and exchange their surplus. The first case is the more classical form. Let us therefore stick to it. The exchange of surpluses is a relation which posits exchange and exchange value, but it extends only to the surplus and plays a secondary role vis-à-vis [II-15] production itself. But with the more frequent return of the traders soliciting exchange (the Lombards, Normans, etc., play this role in relation to almost all European peoples), a continuing trade is developed. In this trade the producing people now only carries on a so-called *passive* trade, in that the stimulus to the activity positing exchange value is an external one, not the internal form of its production. When this happens, the surplus product must not be a fortuitous one, only occasionally available, but must be continually reproduced. In this way domestic production itself acquires a tendency to be directed towards circulation, towards the positing of exchange values.

At first the effect is mainly material. The range of needs is enlarged; the aim is the satisfaction of new needs, and therefore greater regularity in and expansion of production. The organisation of domestic production itself has already been modified by circulation and exchange value; but it has not yet been captured by them either over its entire surface or in its full depth. This is what is called the *civilising effect* of foreign trade. To what extent the activity positing exchange value captures production as a whole then depends partly upon the intensity of this external influence, partly upon the degree to which the elements of

domestic production—division of labour, etc.—have already been developed. Thus in England in the 16th century and at the beginning of the 17th, the importation of commodities from the Netherlands gave a decisive significance to the surplus of wool that England had to offer in exchange. In order to produce more wool, arable land was converted into sheep pastures, the small leaseholding system was broken up, etc., the CLEARING OF ESTATES took place, etc.

Agriculture therefore lost the character of labour for use value, and the exchange of its surplus lost its character of indifference towards the internal structure of agriculture. At certain points, agriculture was exclusively determined by circulation, transformed into a production positing exchange value. Not only was the mode of production changed thereby, but all the former conditions of population and production, all the economic relations corresponding to that mode, were dissolved. Thus, here we have a case of circulation which originally presupposed a production creating exchange values only as a surplus; but this production gave way to one purely oriented towards circulation, a production whose exclusive content was the positing of exchange values.

On the other hand, in modern production, which presupposes exchange value and developed circulation, prices and production determine each other.

If it is said that capital “is accumulated (realised) labour (properly *objectified* labour) which serves as the means for new labour (production)”,^a then only the simple substance of capital is being considered, and its formal character, without which it is not capital, is ignored. It means no more than that capital is—an instrument of production, for, in the broadest sense, everything must first be appropriated by means of some kind of activity, even an object supplied purely by nature, e.g. stones, before it can serve as an instrument, a means of production. According to this, capital would have existed in all forms of society, would be something entirely unhistorical. According to this, every part of the body is capital, for each part has not only to be developed by activity, by labour, but must also be nourished, reproduced, in order to be active as an organ. The arm and especially the hand are capital according to this. Capital would only be a new name for something as old as mankind, for each type of labour, even the most undeveloped, like hunting, fishing, etc., presupposes that the

^a Cf. D. Ricardo, *On the Principles of Political Economy, and Taxation*, pp. 327 and 499.—Ed.

product of previous labour is used as a means for immediate, living, labour.

A further implication of the definition given above is that the physical matter of the products is wholly abstracted from, and previous labour itself is considered as their only content (matter). Also abstracted from is the particular special purpose for whose fulfilment this product is intended to serve as means, and only production in general is posited as purpose. All this would appear merely as the work of abstraction, which is equally valid for all social conditions, and which only takes the analysis further and formulates it more abstractly (generally) than was usually the case.

If we abstract in this way from the specific form of capital, and emphasise only its *content with respect to which it is a necessary moment of all labour, then of course nothing is easier than to prove that capital is a necessary condition for all human production*. We have only to abstract from the specific characteristics of capital which make it into a moment of a particularly developed *historical* stage of human production. The irony is that if all capital is objectified labour which serves as means for new production, not all the objectified labour that serves as means for new production is capital. *Capital is conceived of as a thing, not as a relationship*.

If it is said on the other hand that capital is a sum of values employed for the production of values, then this means: capital is self-reproducing exchange value. But formally exchange value also reproduces itself in simple circulation. In this explanation, admittedly, the form is grasped wherein exchange value is the point of departure, but the relation to content (which in the case of capital, unlike in that of simple exchange value, is *not irrelevant*) is dropped.

If it is said that capital is exchange value which produces a profit, or at least is employed with the intention of producing a profit, capital is already presupposed for its own explanation, for profit is a definite relationship of capital to itself. Capital is not a simple relationship but a *process*, always remaining capital in its various moments. This process must therefore be analysed.

There is already something surreptitious about defining capital as *accumulated* labour, for [II-16] in its essential characteristic it should be merely *objectified* labour, though this admittedly embodies an already accumulated definite quantity of labour. But accumulated labour itself already comprises a quantity of objects in which labour is realised.

“In the beginning everyone was satisfied, since only objects without value to the respective exchangers were exchanged; no importance was attached to this

exchange, and each was satisfied to get a useful object in exchange for a useless one. But when the division of labour had made ... everyone into a merchant and society into a commercial society, no one wished to part with one's products except in exchange for their equivalent; it was therefore necessary, in order to determine this equivalent, to know *the value* of what was being offered and what was received" (Ganilh, [*Des systèmes d'économie politique*, Vol. 2, Paris, 1809, pp. 11-12,] 12, b⁷⁵).^a

In other words, exchange did not remain at the stage of formally positing exchange values but necessarily went on to subject production itself to exchange value.

I. CIRCULATION AND EXCHANGE VALUE DERIVING FROM CIRCULATION AS A PREREQUISITE OF CAPITAL

In order to develop the concept of capital, we must begin not with labour but with value, or more precisely, with the exchange value already developed in the movement of circulation. It is just as impossible to pass directly from labour to capital as from the different races of men directly to the banker, or from nature to the steam-engine. We have seen that in money as such exchange value has already acquired a form independent of circulation, but only a negative, evanescent or illusory one when fixed. Money exists only in relation to circulation and as the possibility of entering into it; but it loses this determination as soon as it realises itself, and falls back into its two earlier determinations as measure of exchange values and as means of exchange. As soon as money is posited as exchange value which not merely makes itself independent of circulation but maintains itself inside it, it is no longer money, for money as such does not extend beyond the negative determination; it is *capital*.

It is an historical *fact* that money is the first form in which exchange value proceeds to the character of capital, and that therefore the first *form* in which capital *appears* is confused with capital itself or is considered to be its only adequate form. And this fact, far from contradicting our analysis, actually confirms it. The first attribute of capital is this: that the exchange value deriving from circulation and thus presupposing it, maintains itself within it and by means of it; that it does not lose itself when it enters into circulation; that circulation is not the movement of its vanishing but rather the movement of its real self-positing as exchange value, its realisation as exchange value.

^a Marx quotes partly in French and partly in German.—*Ed.*

It cannot be said that in simple circulation exchange value as such is realised. It is always realised only in the moment of its disappearance. If a commodity is exchanged for another commodity by means of money, its value-character disappears in the moment in which it is realised, and it steps outside the relation, becomes indifferent to it and is now only a direct object of need. If money is exchanged for a commodity, then this posits even the disappearance of the form of exchange as merely formal mediation to get hold of the natural material of the commodity. If a commodity is exchanged for money, the form of exchange value, exchange value posited as exchange value, money, persists only so long as it remains outside exchange, withdraws from it. Money is therefore a purely illusory, purely notional realisation in this form, in which the independence of exchange value palpably exists. Finally, if money is exchanged for money—the fourth form in which circulation can be analysed but *au fond* only the third form expressed in the form of exchange—there no longer appears even a formal distinction between the different things; *DISTINCTION WITHOUT A DIFFERENCE*; not only does exchange value disappear, but so does the formal movement of its disappearance. *Au fond*, these four specific forms of simple circulation can be reduced to two, which, however, coincide in themselves. The difference between them is a question of emphasis and depends on which of the two moments—money and commodity—is stressed, which of them is taken as the point of departure. Thus, money for commodity: the exchange value of the commodity disappears and is replaced by its material content (substance); commodity for money: its content (substance) disappears and is replaced by its form as exchange value. In the first case the form of exchange value is extinguished, in the second its substance; in both, therefore, its realisation is its disappearance.

Only in *capital* is exchange value posited as exchange value, because only there does it maintain itself in circulation, i.e. only there does it neither lose its substance, because it realises itself in ever different substances, in a totality of them; nor does it lose its specific form, because it maintains its identity with itself in each of the different substances. Hence it always remains both money and commodity. It is, at each instant, both of the moments which disappear into one another in the course of circulation. But it is this only because it is itself a constantly self-renewing circuit of exchanges. In this respect, too, the circulation of exchange value [in capital] is distinct from that of simple exchange values as such. This simple circulation is in fact circulation only from the

standpoint of the observer, or circulation *in itself*, not circulation posited as such. Precisely because the substance of exchange value is a particular commodity, it is not the same exchange value which first becomes money and then commodity again; on the contrary, it is always different exchange values, different commodities, which confront money. Circulation, the circuit, consists merely of the simple repetition or alternation [II-17] of the determination of commodity and money, and not of the identity of the real point of departure and the point of return. Therefore, simple circulation as such where only money is the persistent moment, has been described as mere *circulation of money*, mere *turnover of money*.

“Capital values perpetuate themselves” (Say, [*Traité d'économie politique*, 3rd ed., Vol. II, p. 185,] 14⁷⁶).^a

“Capital—permanent value” (“multiplying itself” is not yet relevant here) “which did not perish any more. This value tears itself away from the commodity which had created it; it remained equal to a metaphysical, insubstantial quality always in the possession of the same *husbandman*” (the precise term makes no difference: say “owner”) “for whom it assumed different forms” (Sismondi, [*Nouveaux principes d'économie politique*, 2nd ed., Vol. I, Paris, 1827, p. 89,] VI⁷⁷).

The immortality to which money aspired when it posited itself negatively as against, and withdrew from, circulation, is attained by capital, which maintains itself precisely by surrendering to circulation. As exchange value presupposed by or presupposing circulation and maintaining itself in it, capital is not only at each instant *ideally* each of the two moments contained in simple circulation, but alternately adopts the form of each of them. But it does so no longer merely by passing from one into the other, as in simple circulation, but by being in each of these determinations at the same time a relation to the opposite one, i.e. notionally containing it within itself.

Capital alternately becomes commodity and money. But (1) *it is itself the alternation of these two determinations*; (2) it becomes commodity, not this or that commodity, but *a totality of commodities*. It is not indifferent to the substance [of the commodity] but to its particular form. In this respect, it appears as a constant metamorphosis of this substance. In so far as capital is posited as a particular content of exchange value, this particularity is itself a totality of particularity; hence not indifferent to particularity as such, but to single or individuated particularity. The identity, the form of generality which it acquires, is that of being exchange value and as such money. Hence it is still posited as money, IN FACT

it exchanges as commodity for money. But being posited as money, i.e. as this antithetical form of the generality of exchange value, it is at the same time inherently bound to lose not generality, as in simple circulation, but rather the antithetical attribute of generality, or to adopt it only fleetingly, i.e. it exchanges itself again for the commodity, but as a commodity which expresses in its very particularity the generality of exchange value and therefore continually changes its particular form.

When we speak of capital here, it is still only a name. The only determinateness in which capital is posited in distinction from immediate exchange value and from money, is *that of exchange value maintaining and perpetuating itself in and by circulation*. We have so far considered only one aspect of this quality, that of self-maintenance in and by circulation. The other, equally important, aspect is that exchange value is *presupposed*, no longer as simple exchange value, as it exists as a purely notional determination in the commodity before it enters into circulation, or rather as a merely intended determination, since it fleetingly becomes exchange value only in circulation; nor as exchange value as it exists as a moment in circulation, as money. It exists here as money, as objectified exchange value, but in such a way that the relation just described is posited in it.

What distinguishes the second determination from the first is that exchange value (1) exists in an objective form; (2) comes out of circulation, hence presupposes it, but simultaneously starts from itself as a premiss as against circulation.

There are two ways of expressing the result of simple circulation:

The simple negative: The commodities thrown into circulation have fulfilled their purpose. They have been exchanged for one another; each becomes the object of need and is consumed, and circulation is thereby terminated. Only money remains as simple residue. But as such a residue, money has ceased to be money, it has lost its characteristic form. It collapses into its own matter, which remains behind as the inorganic ashes of the whole process.

The positive negative: Money is negated not as objectified exchange value existing for itself—not as exchange value merely disappearing in circulation—but what is negated is its *antithetical independence*, its merely abstract generality in which it has established itself. However:

Thirdly: Exchange value as the premiss and at the same time the result of circulation, just as it is assumed to have emerged from it, must emerge from it again. If this happens only in a formal

^a Marx quotes in French.— *Ed.*

manner, exchange value would merely become money again; if it emerges as a real commodity, as in simple circulation, it would become a simple object of need, would be consumed as such, and would also lose its characteristic form. If the emergence from circulation is to become real, exchange value must also become an object of need and be consumed as such; but it must be consumed by labour, and in this way reproduce itself anew.

Differently expressed: As regards its content, exchange value was originally an objectified quantity of labour or labour time. As such it progressed, in the process of its objectification, through circulation until it became money, palpable money. Now it must again posit the point of departure of circulation, which lay outside of, and was presupposed by, circulation, in relation to which circulation itself appeared as a movement grasping it from outside and transforming it within itself. That is, exchange value must now posit labour; but now no longer as the simple equivalent or simple objectification of labour but as objectified exchange value become independent, which yields itself up to labour as its material, only in order to renew itself and from itself to begin circulation anew. And with that it is no longer a simple equation, a maintenance of its identity, as in circulation; but a *multiplication* of itself. Exchange value posits itself as exchange value only by valorising itself, i.e. by increasing its value. *As capital, money* (having returned from circulation to itself) *has lost its rigidity, and has turned from a palpable thing into a process.* But on the other hand, labour has modified its relationship to its own objectivity: it has also returned to itself. Yet the nature of the return is such that the labour objectified in exchange value posits living labour as a means for its reproduction, while originally exchange value appeared only as a product of labour.

[II-18] 2. EXCHANGE VALUE EMERGING FROM CIRCULATION
BECOMES ITS PREMISS, MAINTAINS ITSELF IN IT
AND MULTIPLIES ITSELF BY MEANS OF LABOUR

///I. (1) General concept of capital.—(2) Particularity of capital: circulating capital, fixed capital. (Capital as means of subsistence, as raw material, as instrument of labour.) (3) Capital as money.

II. (1) *Quantity of capital. Accumulation.*—(2) *Capital measured in terms of itself. Profit. Interest. Value of capital,* i.e. capital in distinction from itself as interest and profit. (3) *The circulation of capitals:* (α) Exchange of capital with capital. Exchange of capital with revenue. Capital and *prices*; (β) *Competition of capitals;* (γ) *Concentration of capitals.*

III. Capital as credit.

IV. Capital as share capital.

V. *Capital as money market.*

VI. Capital as source of wealth. The capitalist.

After capital, landed property would have to be dealt with. After that wage labour. Then, assuming all three, the *movement of prices* as circulation now defined in its inner totality. On the other hand, the three classes as production posited in its three basic forms and presuppositions of circulation. Then the *State*. (State and bourgeois society.—Taxation, or the existence of the unproductive classes.—The national debt.—Population.—The State in its external relations: Colonies. Foreign trade. Rate of exchange. Money as international coin.—Finally the world market. Encroachment of bourgeois society on the State. Crises. Dissolution of the mode of production and form of society based upon exchange value. The real positing of individual labour as social and vice versa.)//

(Nothing is more erroneous than the way in which both the economists and the socialists consider *society* in relation to economic conditions. Proudhon, for example, replies to Bastiat by saying ([*Gratuité du crédit. Discussion entre M. Fr. Bastiat et M. Proudhon*, Paris, 1850, p. 250,] XVI, 29):

“For *society* the distinction between capital and product does not exist. This distinction is a purely *subjective* one, existing only for individuals.”^a

Thus it is precisely the social aspect which he calls *subjective* and the *subjective* abstraction which he calls *society*. The distinction between product and capital is precisely that, as capital, the product expresses a specific relation belonging to an historical form of society. This so-called consideration from the point of view of society means nothing more than to overlook precisely the *differences* which express the *social relation* (relation of civil society). Society does not consist of individuals, but expresses the sum of the relationships and conditions in which these individuals stand to one another. As if someone were to say: for society, slaves and CITIZENS do not exist: both are men. They *are* both men, if we consider them outside society. To be a slave and to be a CITIZEN are social determinations, relations between human beings A and B. Human being A as such is not a slave; he is a slave in and through society. Mr. Proudhon's remarks about capital and

^a This and the subsequent quotations from *Gratuite du crédit* are in French in the manuscript.—Ed.

product mean that in his view there is no distinction between capitalists and workers from the point of view of society. But actually this distinction exists only from the point of view of society.)

(Proudhon's polemic against Bastiat, *Gratuité du crédit*, amounts only to his wish to reduce the exchange between capital and labour to the simple exchange of commodities as exchange values, to reduce them to moments of simple circulation, i.e. he abstracts precisely from the specific distinction upon which everything depends. He says:

"Every product becomes capital at a certain moment, because everything that is consumed is at a certain moment consumed reproductively" [ibid., p. 177].

This is profoundly mistaken, BUT NEVER MIND.

"What causes the sudden transformation of the notion of product into that of capital? It is the *idea of value*. This means that the product, in order to become capital, must have passed through an authentic valuation, must have been bought or sold, its price discussed and fixed by a kind of legal convention. Hides, for instance, coming from the butcher's shop, are the product of the butcher. Have these hides been bought by a tanner? At once he adds either them or their value to his working capital. By the work of the tanner this capital becomes a product again" [ibid., pp. 179-80].

Every capital is here "an *established value*". Money is the "*most established value*",^a established value of the highest potency. This means (1) the product becomes capital by becoming value, or capital is nothing more than simple value. There is no difference between them. Therefore he says alternately "commodity" (the natural aspect of the commodity expressed as product) and "value" or rather "price", since he assumes the act of purchase and sale. (2) Since money appears as the perfected form of value, as value exists in simple circulation, money is also the true *established value*.)

The transition from simple exchange value and its circulation to capital may also be expressed in the following way: in circulation, exchange value appears dual—once as commodity, again as money. If it is present in one of these determinations, it is not present in the other. This is valid for every particular commodity. But the whole of circulation considered in itself consists in the same exchange value, exchange value as subject, positing itself once as commodity and again as money; it is the movement by means of which exchange value posits itself in this dual

^a Marx gives the two Proudhonian terms in French: "une valeur faite" and "la valeur la plus parfaite".—Ed.

determination, and preserves itself in each of its roles as its opposite, in the commodity as money, and in money as the commodity. This is in itself present in simple circulation, but it is not posited in it. Exchange value posited as the unity of commodity and money is *capital*, and this positing itself appears as the circulation of capital. (But this is a spiral line, an expanding curve, not a simple circle.)

Let us first analyse the simple determinations contained in the relationship of capital and labour, in order to discover the inner connection, both of these determinations and of their further developments, to what has gone before.

[II-19] The first presupposition is that capital stands on one side and labour on the other, each as an independent entity confronting the other, and hence each also alien to the other. The labour that confronts capital is *alien* labour; the capital that confronts labour is *alien* capital. The extremes that confront each other are *specifically* distinct. In the first form in which simple exchange value was posited, labour was determined in such a way that its product was not immediately use value for the labourer, not his direct means of subsistence. This was the general condition for the production of exchange value and of exchange in general. Otherwise the worker would merely have produced a product—an immediate use value for himself—but not exchange value. However, this exchange value was materialised in a product, which as such had use value for others and as such was the object of their needs. The use value which the worker has to offer to capital, and hence which he has to offer to others in general, is not materialised in a product, it does not exist in any way external to him. Consequently, his use value does not exist in reality but only potentially, as his capacity. It becomes reality only when it is solicited by capital, set in motion, since activity without an object is nothing, or, at most, mental activity, with which we are not dealing here. As soon as this use value is set in motion by capital, it exists as the definite, productive activity of the worker; it is his vitality itself, directed towards a definite aim and hence manifesting itself in a definite form.

In the relationship of capital and labour, exchange value and use value are brought into relation to one another: one side (capital) faces the other above all as *exchange value** while the other

* Should not *value* be conceived as the unity of use value and exchange value? In and for itself is not *value* as such the general form as compared with use value and exchange value as *particular* forms of it? Is this not significant in political economy? Use value is also presupposed in simple exchange or pure exchange. But

side (labour) faces capital as use value. In simple circulation, every commodity can be considered alternately in one or the other determination. In both cases, provided that it is considered as a commodity as such, it steps outside circulation as an object satisfying a need, and falls entirely outside the economic relationship. In so far as the commodity is fixed as exchange value—money—it tends towards the same formlessness, but remains within the economic relationship. In any case, commodities are of interest in the exchange relationship (simple circulation) only to the extent that they have exchange values. On the other hand, their exchange value is of only passing interest, for it transcends their one-sidedness—the fact of their usefulness, their use value, being related to, and hence *immediately* existing for, only one specific individual—but does not transcend this use value itself. Rather, exchange value posits and mediates use value, namely, as

there exchange is only taking place because of the reciprocal use of the commodity; and use value, i.e. the content, the natural particularity of the commodity as such, has no existence as a characteristic economic form. Rather, its characteristic form is exchange value. The content outside this form is of no consequence; it is not the content of the relationship as a social relationship. But does not this content develop as such in a system of needs and production? Does not use value as such enter into the form itself as something determining the economic form itself, e.g. in the relationship of capital and labour? in the different forms of labour?—Agriculture, industry, etc.—Rent?—Influence of the seasons on the price of primary products? etc. If *only* exchange value as such played a role in political economy, how could there be introduced at a later stage such elements as relate purely to use value, e.g. in the case of capital considered as raw material, etc.? How does the physical quality of the soil suddenly turn up in Ricardo? etc. The [German] word *Waare* ["commodity"] implies the relation (the German *Güter* ["goods"] perhaps best be taken in the sense of [the French] *denrée* as opposed to *merchandise*?). Price appears as a merely formal determination in it. This is quite compatible with exchange value being the predominant determination. Obviously, the element of use does not cease to exist because it is *only* determined by exchange, although the direction of use is of course determined in this way. In any case, this question should be examined thoroughly in the investigation of value. One should not completely abstract from it, as does Ricardo, nor give oneself airs by merely presupposing the word "utility",⁷⁸ as does the insipid Say. Above all, it will and must be shown, in the analysis of the individual sections, to what extent use value not only remains outside political economy and its characteristic forms as a presupposed matter but to what extent it enters into them. For Proudhon's insipidities see my *Misère*.⁷⁹ This much is certain: in exchange, we have (in circulation) the commodity—use value—as price; that apart from its price it is a commodity, the object of need, goes without saying. The two determinations do not enter into any relationship at all to each other, except in so far as the particular use [value] appears as a natural limit of the commodity, and hence posits money, i.e. the commodity's exchange value, simultaneously as existence of the commodity in money outside itself, but only formally. Money itself is a commodity, it has a use value as its substance.

use value for others, etc. But in so far as exchange value as such is fixed in money, use value confronts it merely as an abstract chaos; and it is precisely by being separated from its substance that exchange value collapses and drifts out of the sphere of simple exchange value, whose highest movement is simple circulation and whose highest perfection is money. But within the sphere of simple exchange value itself, the distinction exists *IN FACT* only as a superficial difference, a purely formal distinction. Money in its maximum fixation is itself commodity, and is distinguished as such from other commodities only by the fact that it expresses exchange value *more perfectly*. But precisely by doing so, by being coin, [II-20] it loses its immanent determination as *exchange value* and becomes *mere* use value, even if it be use value for the purpose of positing the price, etc., of commodities. The two determinations are still directly coincident in it and equally directly fall apart. Where they behave independently to one another, *positively*, as in the case of the commodity which becomes an object of consumption, it ceases to be a moment of the economic process; where negatively, as in money, it becomes *madness*; madness, however, as a moment of political economy, and a factor determining the practical life of peoples.

We have seen earlier^a that exchange value cannot be said to realise itself in simple circulation. But this is so because [in simple circulation] use value as such does not confront exchange value. Use value is not here determined as such by exchange value. Conversely, use value as such stands in no relation to exchange value, but turns into a specific exchange value only by the application of the common feature of use values—their being labour time—as an external yardstick to them. As yet the unity of use value and exchange value directly falls apart, and their distinctness still fuses directly into unity. It must now be posited that use value becomes use value by virtue of its being exchange value, and that exchange value mediates itself through use value. In money circulation, we had only two different forms of exchange value (price of the commodity—money) or only different use values (*C—C*), for which money, exchange value, was merely a fleeting mediator. A real relationship between exchange value and use value did not occur. And for that reason the commodity as such—its particularity—is an irrelevant, a merely fortuitous content conceived only in general and falling outside the relation of economic form. Or else the latter is only a

^a See this volume, p. 191.—*Ed.*

superficial form, a formal determination, outside whose field the real substance lies and which has no relationship at all to this real substance as such. Consequently, if this formal determination as such is to be fixed in money, it surreptitiously transforms itself into an indifferent natural product, a metal, in which whatever remained of a relationship, whether to the individual or to the intercourse of individuals, has been extinguished. Metal as such does not, of course, express any social relations; the form of coin, the last sign of life of its social significance, is also extinguished in it.

Exchange value which confronts use value posited as one side of the relationship, confronts it as money; but money confronting it in this way is no longer money in its determination as such, but money as *capital*. The *use value* or commodity confronting capital or posited *exchange value* is no longer the commodity as it appeared as against money, when its specific form was quite as irrelevant as its content, and when it merely appeared as any substance whatsoever.

(1) Firstly [the commodity now appears] as use value for capital, i.e. as an object which can be exchanged for capital without the latter losing its value dimension as e.g. money does when it is exchanged for a particular commodity. The only utility which an object in general can have for capital can only be to maintain it or to augment it. We have already seen, in the case of money, that value having become independent as such—or the general form of wealth—is incapable of any movement other than a quantitative one; it can only increase itself. According to its concept it is the essence of all use values; yet as always being merely a definite quantity of money (here capital) its quantitative limitation contradicts its quality. Hence it lies in its nature constantly to exceed its own limits. (As something to be enjoyed, wealth consequently appears as limitless prodigality, as e.g. in the time of the Roman emperors by the devouring of salads of pearls, etc. Here the attempt is made to realise a fantasy of enjoyment without limits.) That is why increase coincides with self-preservation in the case of value which adheres to its nature as value, and it preserves itself only by constantly striving to exceed its quantitative limits, which contradict its characteristic form, its inner generality.

Hence enrichment is an end in itself. The activity corresponding to the purpose of capital can only be that of enrichment, i.e. that of its own increase and multiplication. A specific sum of money (and money always exists for its owner only in a specific quantity, always as a specific sum of money) (this should already be shown

in the chapter on money) may completely suffice for a specific volume of consumption, as a result of which it ceases to be money. But as the representative of general wealth, it cannot so suffice. As a quantitatively determined, limited sum it is only a limited representative of general wealth or the representative of a limited wealth which corresponds exactly to its exchange value, is exactly measured by it. Thus it does not by any means have the capacity which it should have according to its general concept: that of being able to buy all pleasures, all commodities, the totality of material substances of wealth. It is not a “*précis de toutes les choses*”,^a etc. Fixed as wealth, as the general form of wealth, as value which counts as value, it is therefore the constant impulse to exceed its quantitative limits: an endless process. Its own vitality consists exclusively of that; it *maintains* itself only as exchange value which is distinct from use value and valid for itself, only by *constantly multiplying* itself.

(It is damned difficult for our economists to explain theoretically how we get from the self-preservation of value in capital to its multiplication, i.e. to explain the latter as inherent in the fundamental determination of capital, and not merely as an accident or a result. See e.g. how *Storch* brings in this fundamental determination with an adverb, “actually”.⁸⁰ Admittedly, the economists try to introduce this increase into the relationship of capital as an essential aspect. But if this is not done in the brutal form of defining capital as that which yields profit, in which case the very increase of capital is already posited as a particular *economic form* in profit, [II-21] it only appears surreptitiously and very feebly, as we shall later demonstrate, by a brief review of all that the economists have offered us concerning the definition of the concept of capital. The drivel to the effect that no one would employ his capital without obtaining a profit thereby, amounts either to the idiocy that the worthy capitalists would remain capitalists even *without* employing their capital; or to the very simple-minded assertion that the profit-bearing employment of capital is inherent in the very concept of capital. WELL. That is just what would then have to be demonstrated.)

Money as a sum of money is measured by its quantity. This measurableness contradicts its determination, which must be oriented towards what has no measure. Everything said about money here, is even more true of capital, in which money in its perfected determination really first develops. Only that which

^a See footnote on p. 153,—*Ed.*

increases it, multiplies it, and therefore preserves it as capital, can represent use value, i.e. usefulness, to capital as such.

(2) Capital, according to its concept, is money, but money that no longer exists in the simple form of gold and silver, nor as money in opposition to circulation, but in the form of all substances—commodities. To that extent therefore it does not, as capital, stand in opposition to use value, but exists apart from money only in use values. Its substances themselves are therefore now transitory, which would have no exchange value if they had no use value; but which lose their value as use values, are dissolved simply by the natural exchange of matter, if they are not actually used; and which, if actually used, disappear all the more. In this regard, the opposite of capital cannot itself be a particular commodity; for as such it does not constitute an antithesis to capital, since the substance of capital itself is use value; since it is not this or that commodity, but every commodity. The common substance of all commodities, i.e. their substance once again not as their material stuff, as physical determination, but their common substance as *commodities* and therefore as *exchange values*, is that they are *objectified labour*.

/// But it can only be a question of this economic (social) substance of use values, i.e. their economic determination as content in distinction from their form (but this form is *value*, because specific quantity of this *labour*), if one is looking for the antithesis to them. So far as their natural differences are concerned, none of them excludes capital from entering into it and making it capital's own body, so long as none of them excludes the character of exchange value and commodity.///

The only thing distinct from *objectified labour* is *non-objectified labour*, labour still objectifying itself, *labour* as subjectivity. Or *objectified labour*, i.e. *labour present in space*, can also be opposed as *past labour* to labour still *present in time*. If it is to be present in time, present alive, it can only be present as a *living subject*, in which it exists as capacity, as potentiality; therefore as *worker*. The only *use value*, therefore, which can constitute an antithesis to capital is *labour* // to be exact, *value-creating, i.e. productive labour*. This is an anticipation; must first be developed; BY AND BY. Labour as mere service for the satisfaction of immediate needs has nothing at all to do with capital, which does not seek this kind of labour. If a capitalist hires a woodcutter to cut wood to roast his mutton, both his relationship to the woodcutter and that of the woodcutter to him is one of simple exchange. The woodcutter gives him a service, a use value that does not increase capital but

in which it is consumed, and the capitalist gives him another commodity in exchange in the form of money. Such is the case with all services which workers exchange directly for the money of other people and which are consumed by these people. This is consumption of revenue, which as such is always part of simple circulation, not consumption of capital. Since one of the contracting parties does not confront the other as capitalist, this form of service cannot come into the category of productive labour. From the harlot to the Pope there is a mass of such rabble. But the honest and "working" Lumpenproletariat, too, belongs to this category, e.g. the large mob of casual day-labourers, etc., in ports, etc. The person representing money requires the service only for its use value, which immediately disappears for him; but the casual labourer demands the money and since in this way the person supplying money is concerned with the commodity, and the person supplying the commodity is concerned with the money, they merely represent the two sides of simple circulation to one another. It is always clear that the casual labourer, who is concerned with the money, hence directly with the general form of wealth, seeks to enrich himself at the expense of his improvised friend, which hurts the latter, a HARD CALCULATOR, all the more, as the service he now requires is to be ascribed only to his ordinary human weaknesses, but is in no way required by him *qua capitalist*.

A. Smith was *essentially* right with his distinction between *productive* and *unproductive* labour, right from the standpoint of bourgeois political economy.^a The arguments advanced against it by other economists are either rot (e.g. Storch, Senior still more pitiable,⁸¹ etc.), namely that any action after all acts upon something, thus confusion of the product in its natural and economic sense. According to this a criminal is also a productive worker, since he [II-22] indirectly produces books on criminal law (at least this reasoning as sound as if a judge is called a productive worker because he protects *from* theft). Or the modern economists have become such sycophants of the bourgeois, that they wish to make him believe that it is productive labour if someone picks the lice out of his hair, or strokes his tail, because the latter activity might make his fat head—BLOCKHEAD—clearer the next day for the office. It is therefore quite correct—but at the same time also characteristic—that for the consistent economists the workers in e.g. luxury shops are productive, although the fellows who consume such objects are

^a A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Book 2, Ch. III.—Ed.

explicitly castigated as unproductive wastrels. The FACT is that these workers are INDEED productive AS FAR AS THEY INCREASE THE CAPITAL OF THEIR MASTER; UNPRODUCTIVE AS TO THE MATERIAL RESULT OF THEIR LABOUR. IN FACT, this "productive" worker is just as interested in the shit which he must make as the capitalist who employs him, and who does not give a damn about the junk. But looked at more precisely, it turns out in fact that the true definition of a productive worker consists in this: a man who requires and demands absolutely no more than is necessary to enable him to bring to his capitalist the greatest possible advantage. ALL THIS NONSENSE. Digression. But have to return to the productive and unproductive in more detail later.⁸² //

EXCHANGE BETWEEN CAPITAL AND LABOUR

Use value confronting capital as posited exchange value is *labour*. Capital exchanges itself, or exists in this specific form only in relation to *non-capital*, the negation of capital, in respect to which alone it is capital; the real non-capital is *labour*.

If we consider the exchange between capital and labour, we find that it is divided into two processes which are not only formally but qualitatively distinct and even contradictory:

(1) The worker exchanges his commodity, labour, the use value which as a commodity also has a *price* like all other commodities, for a specific sum of exchange values, specific sum of money, which capital cedes to him.

(2) The capitalist obtains, in exchange, labour itself, labour as value-positing activity, as productive labour; i.e. he obtains the productive power which maintains and multiplies capital and which therefore becomes the productive power and reproducing power of capital, a power belonging to capital itself.

The separation of these two processes is so evident that they can fall asunder in time and need in no way coincide. The first process can be completed, and in most cases is to a certain extent completed, before the second has even begun. The completion of the second act implies the completion of the product. The payment of wages cannot wait for this. We shall even find it an essential characteristic of the relationship [between worker and capitalist] that it does not do so.

In simple exchange, circulation, this two-fold process does not occur. If commodity *a* is exchanged for money *b*, and this then for commodity *c* which is destined for consumption—the original object of the exchange for *a*—the use of commodity *c*, its

consumption, falls quite outside circulation; does not concern the form of the [economic] relationship; lies beyond circulation itself, and is a purely physical interest which now only expresses a relationship of individual *A* in his natural quality to an object of his individual need. What he does with commodity *c* is a question that lies outside the economic relationship.

Here, on the contrary, the *use value of what is exchanged for money* appears as a *particular economic relationship*, and the *specific utilisation of what is exchanged for money constitutes the ultimate purpose of both processes*. Thus there is already a distinction of form between the exchange of capital and labour and simple exchange—two distinct processes.

If we now investigate further how the exchange between capital and labour differs in content from simple exchange (circulation), we find that this distinction does not arise from an external relation or comparison, but that in the totality of the latter process the second form distinguishes itself from the first, that the comparison itself is included. The difference of the second act from the first—the particular process of appropriation of labour on the part of capital is the second act—is EXACTLY the distinction between the exchange of capital and labour and the exchange of commodities as mediated by money. *In the exchange between capital and labour, the first act is an exchange and falls wholly within ordinary circulation; the second is a process qualitatively different from exchange and it is only BY MISUSE that it could have been called exchange of any kind at all*. It stands directly opposed to exchange; essentially different category.

// Capital.

I. *Generality*: (1) (a) Evolution of capital from money. (b) Capital and labour (mediating itself by *alien* labour). (c) The elements of capital, distinguished according to their relationship to labour (product, raw material, instrument of labour). (2) *Particularisation of capital*: (a) Circulating capital, fixed capital. Turnover of capital. (3) *Singularity of capital*: Capital and profit. Capital and interest. Capital as *value*, distinct from itself as interest and profit.

II. *Particularity*: (1) Accumulation of capitals. (2) Competition of capitals. (3) Concentration of capitals (quantitative difference of capital as at the same time qualitative, as *measure* of its volume and effect).^a

^a Here the following passage is crossed out in the manuscript: "(b) Capital as credit. (c) Share capital. (d) The money market. (e) Capital as determining price."—Ed.

[II-23] III. *Singularity*: (1) Capital as credit. (2) Capital as share capital. (3) Capital as money market.

In the money market, capital is posited in its totality; there it *determines price, provides work, regulates production*, in a word, *source of production*; but capital, not only as something producing itself (materially by means of industry, etc., positing price, developing the productive forces), but at the same time as creator of values, must posit a value or form of wealth specifically distinct from capital. This is *rent*. It is the only value created by capital as value distinct from itself, and from its own production. Both by its nature and historically, capital is the *creator* of modern landed property, of rent; just as its action therefore appears also as the dissolution of the old form of landed property. The new form arises from the action of capital on the old. Capital is this—in one respect—as creator of modern agriculture. In the economic relationships of modern landed property which appears as a process: rent—capital—wage labour (the form of the series can also be otherwise conceived as: wage labour—capital—rent; but capital must always be the active middle element), the inner structure of modern society, or capital in the totality of its relations, is therefore posited.

The question now is: how does the transition from landed property to wage labour come about? (The transition from wage labour to capital comes about of itself; for capital here has returned into its active ground.) Historically, the transition is indisputable. It is already implied in the fact that [modern] landed property is the product of capital. We thus always find that wherever the reaction of capital on the older forms of landed property converts the latter into money rent (the same thing occurs in other ways, where the modern farmer is created) and agriculture therefore, carried on by capital, is converted into industrial agronomy, the *COTTIERS*, serfs, villeins, copyholders, cottagers, etc., necessarily become day-labourers, wage labourers. Thus *wage labour* in its totality is first created by the action of capital upon landed property, and later, as soon as this has been elaborated as a form, by the landowner himself. The landowner himself then *CLEARs* the land, as Steuart says,^a of its superfluous mouths, rips the children of the earth away from the breast on which they were raised, and so converts even labour on the land, which appears by its nature as immediate source of subsistence,

^a J. Steuart, *An Inquiry into the Principles of Political Oeconomy*, Vol. I, Book 1, pp. 50, 153, 156 and 157.—Ed.

into a mediated source of subsistence, purely dependent on social relations. (The mutual dependence must first have developed into its pure form, before there can be any question of a real social communality [*Gemeinschaftlichkeit*]. All relations as posited by society, not as determined by nature.) This alone makes possible the application of science and the full development of productive power.

There can therefore be no doubt that *wage labour* in its *classical* form, as permeating the whole extent of society, and making itself in lieu of the soil the ground on which society rests, is first created by modern landed property, i.e. by landed property as a value created by capital itself. This is why landed property leads back to wage labour. It is in one respect nothing but the transference of wage labour from the towns to the countryside, therefore wage labour spread over the whole surface of society. The old landowner, if he is rich, does not require a capitalist to become a modern landowner. He only has to convert his labourers into wage labourers and to begin producing for profit instead of revenue. Then the modern tenant farmer and the modern landowner are presumed in his person. But it is not a formal distinction, that the form in which he receives his revenue or the form in which the labourer is paid, is changed; it implies, rather, *a total transformation of the mode of production* (of agriculture) itself; it therefore presupposes a particular level of development of industry, of trade and of science, in short of the productive forces.

In general, production based upon capital and wage labour is not only formally different from other modes of production, but also presupposes a total revolution and development of material production. Although capital as merchant capital can develop itself fully (only not to the same extent quantitatively) without this transformation of landed property, it cannot do so as industrial capital. Even the development of manufacture presupposes an incipient-dissolution of the old economic relationships of landed property. On the other hand, it is not until modern industry is developed to a high degree that this dissolution at individual points becomes the new form in its totality and full extent; but this development itself always proceeds the more quickly, the higher the development of modern agriculture, of the form of property, of the economic relationships corresponding to it. Thus England in this respect the model country for other, continental countries.

Equally: if the first form of industry, large-scale manufacture, already presupposes the dissolution of landed property, this dissolution, in turn, is determined by the subordinate development

of capital in its still undeveloped (medieval) forms, which has taken place in the towns, and at the same time by the effect of manufacture flourishing together with trade in other countries (thus Holland's influence upon England in the 16th and the first half of the 17th centuries). In these countries themselves the process already gone through and agriculture sacrificed to stock-raising, and grain imported from backward countries, like Poland, etc. (Holland AGAIN).

It must be kept in mind that the new productive forces and relations of production do not develop out of *nothing*, or out of thin air, or from the womb of the Idea positing itself, but within and in contradiction to the existing development of production and inherited, traditional property relations. If in the fully developed bourgeois system each economic relationship presupposes the other in a bourgeois-economic form, and everything posited is thus also a premiss, that is the case with every [II-24] organic system. This organic system itself has its premisses as a totality, and its development into a totality consists precisely in subordinating all elements of society to itself, or in creating out of it the organs it still lacks. This is historically how it becomes a totality. Its becoming this totality constitutes a moment of its process, of its development.

On the other hand, if, within a society, the modern relations of production, i.e. capital, are developed in their totality, and this society now takes possession of a new terrain, as e.g. in the colonies, it finds, more especially its representative the capitalist finds, that his capital ceases to be capital without wage labour, and that one of the premisses of wage labour is not only landed property in general but modern landed property; landed property which, as capitalised rent, is expensive and as such excludes the direct utilisation of the soil by individuals. Therefore *Wakefield's* theory of colonisation, followed in practice by the English government in Australia. Landed property is here artificially raised in price in order to transform the workers into wage workers, to make capital act as capital, and thus to make the new colony *productive*; to develop wealth in it, instead of, as in America, using it for the direct provision of wage workers. *Wakefield's* theory is immensely important for a correct understanding of modern landed property.⁸³

Capital, as a producer of rent, thus returns to the production of wage labour as its general creative ground. Capital arises from circulation and posits labour as wage labour; thus it takes form, and developed as a whole it posits landed property both as its

condition and as its antithesis. But it turns out that in doing this, it has only created wage labour as its general premiss. This, therefore, must now be considered for itself. On the other hand, modern landed property itself appears at its most powerful in the PROCESS of the CLEARING OF ESTATES and the transformation of the rural labourers into wage labourers.

Thus two-fold transition to wage labour. This the positive side. Negatively, after capital has posited landed property and thereby achieved its two-fold aim: (1) industrial agriculture and thereby development of the productivity of the soil and (2) wage labour, therefore the general domination of capital on the land, it considers the existence of landed property itself as a purely transitory development, which is necessary as the action of capital on the old relationships of landed property, and is a *product of their decomposition*; but which as such—once this aim has been achieved—is merely a restriction on profit, not a necessity for production. Capital therefore seeks to dissolve landed property as private property and to transfer it to the State. This the negative side. Thus to transform the whole internal society into capitalists and wage labourers.

When capital has reached this point, wage labour has as well, and tries, like the bourgeois, to get rid of the landlords as supererogatory in order to simplify the relationship, to moderate taxes, etc., on the one hand; and on the other, in order to escape from wage labour and to become independent producer—for direct use—it demands the break-up of the great landed estates. Landed property is here negated from two directions; the negation from the direction of capital is only a change of form, to its undivided rule. (Rent as the general State rent (State tax), so that bourgeois society reproduces the medieval system in another way, but as the complete negation of it.) The negation from the direction of wage labour is only a hidden negation of capital, and therefore also of wage labour itself. It is now to be considered as independently confronting capital.

Thus the transition two-fold: (1) *positive transition* from modern landed property or transition of capital by means of modern landed property to general wage labour; (2) *negative transition*: negation of landed property by capital, i.e. negation of independent value by capital, i.e. precisely negation of capital by itself. But their negation is *wage labour*. Then negation of landed property and by means of it negation of capital from the direction of wage labour, i.e. wage labour that wishes to posit itself as independent. //

//The *market*, which at the beginning in political economy appears as abstract determination, assumes total forms. First the *money market*. This includes the bill of exchange market; in general the loan market; therefore dealings in money, bullion market. As *money-lending market*, it appears both in the banks, FOR INSTANCE in the rate of discount: LOAN-MARKET, BILL-BROKERS, etc.; but then also as the market for all *interest-bearing bills*: state bonds and the SHARE MARKET. The latter fall into larger groups. Firstly the *SHARES of the monetary institutes* themselves; BANK SHARES; JOINTSTOCK BANK SHARES; *means of communication* SHARES (RAILWAY SHARES the most important; CANAL SHARES; STEAM NAVIGATION SHARES; TELEGRAPH SHARES; OMNIBUS SHARES); *SHARES of general industrial ENTERPRISES* (MINING SHARES the main ones). Then for the supply of the general elements (GAS SHARES, SHARES in water-works). MISCELLANEOUS going into thousands. For the *storing of commodities* (DOCK SHARES, etc.). MISCELLANEOUS in infinite variety, such as ENTERPRISES of industrial or commercial companies based on shares. Finally for securing the whole, INSURANCE SHARES of all kinds.

Just as the market by and large divides itself into the HOME MARKET and the FOREIGN MARKET, so the domestic market itself divides further into MARKET OF HOME SHARES, NATIONAL FUNDS, etc., and FOREIGN FUNDS, FOREIGN [II-25] SHARES, etc. But this development really belongs to the world market, which is not only the domestic market in relation to all the FOREIGN MARKETS existing outside it, but at the same time the domestic market of all FOREIGN MARKETS, as, in turn, components of the HOME MARKET.

The *concentration of the money market* in one main place within a country, whereas the other markets distribute themselves more according to the division of labour; although here also great concentration in the capital city, if this is also the port for its exports.

The markets distinct from the money market are in the first place as different as are the products and branches of production, and likewise constitute markets in their own right. The main markets for these different products establish themselves in centres which are such either in relation to import or export, or because they are either themselves centres of a particular production or the direct points of supply for such centres. But from this simple distinction, the markets proceed further to a more or less organic separation into large groups, which themselves necessarily divide up according to the basic elements of capital into: markets for products and markets for raw materials. The instrument of production as such constitutes no particular market; it exists as such mainly, first, in the raw materials

themselves, which are sold as means of production; but then in particular in the metals, since these exclude all thought of direct consumption, and then in products such as coal, oil, chemical materials, which are destined to disappear as accessory means of production. Likewise dyestuffs, timber, DRUGS, etc.

Accordingly:

I. *Products*. (1) *Grain market*, with its different subdivisions, e.g. SEED market: rice, sago, potatoes, etc. This economically very important; at the same time market for production and for direct consumption. (2) *COLONIAL-PRODUCE MARKET*. Coffee, tea, cocoa, sugar; tobacco; SPICES (pepper, all-spice, CINNAMON, cassia lignea, CLOVES, GINGER, MACE, NUTMEGS, etc.). (3) *Fruits*. ALMONDS, CURRANTS, FIGS, PLUMS, PRUNES, RAISINS, ORANGES, LEMONS, etc. *MOLASSES* (for production, etc.). (4) *Provisions*. Butter; CHEESE; BACON; HAMS; LARD; PORK; BEEF (smoked); fish, etc. (5) *SPIRITS*. Wine, rum, beer, etc.

II. *Raw produce*. (1) *Raw materials of the mechanised industry*. Flax; hemp; cotton; silk; wool; hides; leather; gutta percha, etc. (2) *Raw materials of the chemical industry*. Potash, SALTPETRE; turpentine; nitrate of soda, etc.

III. *Raw materials which are at the same time instruments of production: Metals* (copper, iron, tin, zinc, lead, steel, etc.). *Wood*. [Fire] WOOD. TIMBER. Dyer's wood. Timber for ship-building, etc. *Accessory means of production and raw materials*. DRUGS and DYES (cochineal, indigo, etc.). Tar. Tallow. Oils. Coal, etc.⁸⁴

Each product must naturally enter the market; but really large markets, as distinct from retail trade, are formed only by the important products for consumption (economically important only the market for grain, tea, sugar and COFFEE; wine-market to some extent and the market for spirits in general) or those which are the raw materials of industry (wool, silk, wood, metal-market, etc.). At which point the abstract category of the market has to be brought in, will become clear later.//

The exchange between the worker and the capitalist is a simple exchange; each obtains an equivalent; the one money, the other a commodity whose *price* is exactly equal to the money paid for it. What the capitalist receives in this simple exchange is a use value: disposition over alien labour. From the worker's side—and this is the exchange in which he appears as seller—it is evident that for him, as for the seller of any other commodity, of a use value, the use the buyer makes of the purchased commodity does not concern the characteristic form of the relationship. What the worker sells is the disposition over his labour, which is a specific labour, specific skill, etc.

It is quite immaterial what the capitalist does with his labour, although he can naturally employ it only according to its specific characteristics and his disposition itself is limited to only a *specific* labour and is *restricted in time* (so much labour time). The system of piece-rate payment, it is true, makes it appear that the worker receives a certain share in the product. But this is only another form of measuring time. (Instead of saying, you will work for 12 hours, it is said, you will receive so much per piece; i.e. we measure the time you have worked by the quantity of the products.) This does not at all concern us here, where we are considering the general relationship.

If the capitalist were to content himself with the mere right of disposing, without actually setting the worker to work, e.g. in order to have his labour as a reserve, etc., or to take away the right of disposing over that labour from his competitors (as e.g. theatre directors purchase singers for a SEASON, not to let them sing but so that they do not sing in a rival theatre), the exchange would have taken place in full. The worker receives the exchange value in money, the general form of wealth in a definite quantity, and the more or less he receives procures for him a greater or smaller share in general wealth. How this more or less is determined, how the quantity of money he obtains is measured, concerns the general relationship so little that it cannot be deduced from it as such. In general, the exchange value of his commodity can only be determined not by the way in which the buyer *uses* his commodity but only by the quantity of objectified labour present in the commodity itself; here, therefore, by the quantity of labour required to produce the worker himself. For the use value which [II-26] he offers exists only as ability, as his bodily capacity; it has no existence outside of that. The objectified labour necessary both to maintain the general substance in which his labour capacity⁸⁵ exists, i.e. bodily to maintain the worker himself, as well as to modify this general substance for the development of the particular capacity—that is the labour objectified in this substance. This, in general terms, is the measure of the quantity of value, the sum of money, which he receives in exchange. This is not yet the place for the further development of the argument as to how the wages of labour are determined like [the value of] all other commodities by the labour time necessary to produce the worker as such.

In circulation, when I exchange a commodity for money and for that money purchase a commodity and satisfy my need, the act is at an end. So it is with the worker. But he has the possibility to

start again from the beginning, because his life is the source constantly renewing his own use value for a certain time, until it is used up, and constantly confronts capital again, in order to begin the same exchange anew. As in the case of every individual standing in circulation as subject, the worker is the owner of a use value; he disposes of it for money, the general form of wealth, but only in order to dispose of this money in turn for commodities as objects of his immediate consumption, as the means for the satisfaction of his needs. Since he exchanges his use value for the general form of wealth, he shares in the enjoyment of general wealth up to the limit of his equivalent—a quantitative limit which, of course, changes into a qualitative one, as in every exchange. But he is not restricted to particular objects, nor to a particular kind of satisfaction. The range of his enjoyments is not limited qualitatively, but only quantitatively. This distinguishes him from the slave, serf, etc.

Consumption CERTAINLY reacts back upon production; but this reaction concerns the worker in his exchange as little as it does every other seller of a commodity; rather, from the standpoint of simple circulation—and as yet we have no other developed relationship before us—it falls outside the economic relationship. This much, however, can already be said in passing: that the relative limitation of the range of the workers' consumption, which is only quantitative, not qualitative, or rather qualitative only as posited by quantity, gives them as consumers (in the course of the further analysis of capital, the relationship of consumption and production must, in general, be considered more closely) a quite different importance as agents of production from that which they possess and possessed in e.g. ancient world, in the Middle Ages or in Asia. But all this does not belong here, as we have already said.

Equally, while the worker receives his equivalent in the form of money, in the form of general wealth, he figures in this exchange as the equal of the capitalist, like every other exchanger; at least, *in appearance*. In FACT, this equality is already disturbed in that his relationship as worker to the capitalist, as use value in the form specifically distinct from exchange value, in contrast to the value posited as value, is presupposed for this apparently simple exchange. He therefore already stands in a differently determined economic relationship—outside that of exchange, in which the nature of the use value, the particular use value of the commodity as such, is immaterial.

This appearance, however, exists as an illusion on his part and to a certain extent on the other side, and therefore essentially

modifies his relationship by comparison to that of labourers in other social modes of production. But, what is essential is that the aim of the exchange for him is the satisfaction of his need. The object of his exchange is the immediate object of need, not exchange value as such. True, he receives money, but only in its determination as coin; i.e. only as a self-transcending and vanishing mediator. What he gets in exchange is therefore not exchange value, not wealth, but means of subsistence, objects to sustain his life, satisfaction of his needs in general, of his physical, social, etc., needs. It is a specific equivalent in means of subsistence, objectified labour, measured by the production costs of his labour.

What he gives up is the right of disposition over his labour. On the other hand, it is true that even within simple circulation, coin may develop into money and that, therefore, in so far as he receives coin in exchange, he can convert it into money, by accumulating it, etc., withdrawing it from circulation; fixing it as general form of wealth, instead of as vanishing means of exchange. In this respect it could thus be said that, in the exchange of the worker with capital, his object—and therefore also the product of the exchange for him—is not means of subsistence but wealth, not a particular use value, but exchange value as such. According to this, the worker could make exchange value into his own *product* in the only way wealth can *appear* at all as *product of simple circulation* in which equivalents are exchanged, namely by sacrificing substantial satisfaction to the *form* of wealth, i.e. by *self-denial*, saving, cutting down his consumption, and thus withdrawing less from circulation than he puts into it in *goods*. This is the only possible form for enriching oneself which is posited by circulation itself.

Self-denial could then also appear in the more active form, not posited in simple circulation, of denying himself more and more rest, thus sacrificing altogether his existence as distinct from his existence as worker, and being as much as possible only a worker; thus renewing the act of exchange more often, or extending it quantitatively further, in other words, by *industriousness*. Thus in present-day society, the demand for industriousness and especially also for *saving*, for *self-denial*, is addressed not to the capitalists but to the workers, and especially by the [II-27] capitalists. Present-day society makes the paradoxical demand that he for whom the object of exchange is means of subsistence should deny himself, not he for whom it is enrichment. The illusion as if the capitalists in fact practised “self-denial”—and thereby became capitalists—a de-

mand and a notion which made any sense at all only in the early period when capital was emerging from feudal, etc., relationships—has been abandoned by all serious modern economists. The worker is told to save, and much fuss has been made with savings banks, etc.

(As regards the latter, even the economists concede that their real purpose is not wealth, but only a more appropriate distribution of expenditure, so that in old age, or in sickness, crises, etc., the workers do not become a burden on the poorhouses, on the State, or go begging (in a word, so that they become a burden on the working class itself and not by any means on the capitalists, vegetating on the latter's pocket); i.e. so that they save for the capitalists and reduce the costs of production for them.)

Still, not a single economist will deny that, if the workers acted on this demand *in general*, that is as *workers* (what the individual worker, in distinction from his *genus*, does or can do, can only exist as an *exception*, not as the *rule*, because it is not determined by the relationship itself), hence if they acted on this demand as a *rule* (apart from the damage they would do to general consumption—the loss would be enormous—therefore also to production, therefore also to the number and volume of exchanges that they could make with capital, therefore to themselves as workers), they would employ means which would absolutely negate their own end, and which would inevitably degrade them to the level of the Irish, to that level of wage labourers where the merest animal minimum of needs and means of subsistence appears as the sole object and purpose of their exchange with capital.

In aspiring to wealth instead of use value, the worker would not only not enrich himself but also lose the use value into the bargain. For as a rule the maximum of industriousness and of labour, and the minimum of consumption—and this amounts to the maximum of his self-denial and his money-making—could lead to nothing else than that he would receive a minimum of wages for a maximum of labour. By his exertion he would only have diminished the general *level* of the costs of production of his own labour and thereby its general price. It is only as an exception that the worker, by means of will-power, physical strength and endurance, parsimoniousness, etc., can convert his coin into money, as an exception from his class and from the general conditions of his existence.

If all or the majority are over-industrious (in so far as industriousness is left to their own discretion at all in modern

industry, which is not the case in the most important and most developed branches of production), they do not increase the value of their commodity, but only its quantity; that is, the demands which would be imposed on them as use value. If they all save, a general reduction of wages will soon put them back on the right foot. For such general saving would show the capitalist that their wages were in general too high, that they were receiving more than the equivalent for their commodity, the right to dispose over their labour; for it is precisely the essence of simple exchange—and they stand in this relation towards the capitalist—that no one throws more into circulation than he withdraws from it, but also that no one can withdraw more than he has thrown in.

An individual worker can be *industrious* above the necessary level, more industrious than is necessary to live as a worker, only because another is below the level, is lazier. He can save only because and if another squanders. The most he can attain on average with his frugality is to be better able to endure the adjustment of prices—high and low, their circuit; that is only to distribute his enjoyments more appropriately, not to acquire wealth. And that is actually what the capitalists demand. The workers should save enough in times of good business to be able to more or less live in bad times, to endure SHORT TIME OF the reduction of wages, etc. (The wage would then fall still lower.) It really amounts to the demand that they should always make do with a minimum of pleasures of life and make crises easier, etc., for the capitalists; that they should consider themselves as pure labouring machines, and pay as much as possible of their WEAR AND TEAR themselves. Apart from the sheer brutalisation to which this would lead—and this brutalisation would itself make it impossible even to strive for wealth in its general form, as money, as accumulated money—(and the worker's participation in higher, including spiritual, pleasures, agitation for his own interests, subscription to newspapers, attending lectures, educating his children, developing his taste, etc., his only share in civilisation, which distinguishes him from the slave, is economically possible only by his extension of the range of his enjoyments in times of good business, that is at the times when saving is possible to a certain degree)—apart from this, if he truly saved in this ascetic fashion, and so accumulated premiums for the Lumpenproletariat, the rogues, etc., whose number would grow in proportion to demand, he would merely be able to preserve his savings—if they went beyond the saving-boxes of the official savings banks, which pay him a minimum of interest so that the capitalists make a large interest on them or the State

consumes them, whereby he only increases the power of his opponents and his own dependence—he would be able to preserve and gain from his savings only if he put them into banks, etc., so that he afterwards loses his deposits in times of crises, while in times of prosperity he has abstained from all the pleasures of life in order to expand the power of capital. Thus he has in every way saved *for* capital, not [II-28] for himself.

Moreover—in so far as the whole thing is not a hypocritical pretence of bourgeois “philanthropy”, which in general consists in fobbing the workers off with “pious wishes”—each capitalist certainly demands that his workers should save, but only *his* own, because they confront him as workers; but by no means the remaining *world of workers*, because they confront him as consumers. IN SPITE of all “pious” phrases, he therefore tries to find all kinds of means to spur them on to consumption, to endow his commodities with new attractions, to talk the workers into feeling new needs, etc. It is precisely this aspect of the relationship between capital and labour which is an essential moment of civilisation, and upon which rests the historical justification but also the present power of capital. (This relationship between production and consumption is only to be developed later, under capital and profit, etc., or also under accumulation and competition of capitals.)

These are nevertheless all exoteric considerations, relevant here in so far as the demands of hypocritical bourgeois philanthropy are shown to be self-negating and therefore to prove precisely what they are meant to refute: that in the exchange between the worker and capital, the worker finds himself in the relationship of simple circulation, therefore does not obtain wealth, but only subsistence, use values for immediate consumption. That the demand contradicts the relationship itself, emerges from the simple reflection (We shall deal with the demand, recently advanced occasionally with self-complacency, to give the workers a certain share in profit, in the section on the *wages of labour*; except as *special bonus* which can fulfil its purpose only as an exception to the rule, and which is IN FACT virtually restricted to the buying of individual OVERLOOKERS, etc., in the interest of the employer *against* that of their own class; or to [the employment of] salesmen, etc., in short no longer *common workers*, in which case it no longer affects the general relationship. Or it is a special way of cheating the workers and *withholding part of their wages* in the more precarious form of a profit depending on the state of the business.) that if the saving of the worker is not to remain a simple product of

circulation—saved-up money which can only be realised by being converted sooner or later into the substantial content of wealth, enjoyments—the accumulated money itself would have to become capital, i.e. would have to buy labour, to relate to labour as use value. It thus again presupposes labour which is not capital, and presupposes that labour has turned into its opposite—non-labour. The worker's saving, in order to become capital, implies labour as non-capital in contrast to capital. Therefore the contradiction which was supposed to have been overcome at one point, would reappear at another point.

If, then, in the original relation itself the object and the *product* of the exchange of the worker—as product of simple exchange it cannot be any other product—were not use value, subsistence, satisfaction of immediate needs, withdrawal from circulation of the equivalent put into it, in order to be destroyed by consumption—labour would confront capital not as labour, not as non-capital, but as capital. But capital, too, cannot confront capital, if it is not confronted by labour, for capital is capital only as non-labour, in this antithetical relation. Therefore the concept and relation of capital itself would be destroyed.

That there are conditions in which owners who themselves work exchange with one another is CERTAINLY not denied. But such conditions are not conditions of a society in which capital developed as such exists; they are everywhere destroyed, therefore, by its development. Capital can posit itself as capital only by positing labour as non-capital, as pure use value.

(As a slave, the labourer has *exchange value*, a *value*; as a free worker, he has *no value*; only the right to dispose over his labour, acquired by exchange with him, has value. He does not confront the capitalist as exchange value, but the capitalist confronts him as exchange value. His *valuelessness* and *devaluation* is the prerequisite of capital and the condition for *free* labour in general. Linguet considers it a retrogression^a; he forgets that the worker is thereby formally posited as a person who is something for himself *apart from his labour*, and who alienates what expresses his life [Lebensäusserung] only as a means for his own life.⁸⁶ So long as the worker as such has *exchange value*, *industrial capital* as such cannot exist, therefore developed capital in general cannot exist. Labour must confront capital as *pure use value*, which is offered as a commodity by its owner himself in exchange for capital, in

^a [S. N. H. Linguet,] *Théorie des loix civiles, ou Principes fondamentaux de la société*, Vol. II, London, 1767, pp. 462-513.—Ed.

exchange for its *exchange value* [coin], which, of course, becomes real in the hands of the worker only in its determination as general means of exchange; otherwise disappears.) WELL.

The worker, then, is only in the relation of simple circulation, of simple exchange, and obtains only *coin* for his use value; subsistence; but mediated. This form of mediation is, as we have seen, essential for and characteristic of the relationship.^a That he can proceed to the conversion of his coin into money—savings—only proves that his relationship is that of simple circulation; he can save more or less; but beyond that he cannot go. He can realise his savings only by temporarily enlarging the range of his enjoyments. It is important—and it affects the determination of the relationship itself—that, as money is the product of his exchange, general wealth drives him on as an illusion; makes him industrious. At the same time, this not only formally provides scope for arbitrariness for the realisation [II-29]^b...

[In this exchange, the worker indeed receives money only as *coin*, i.e. only in the vanishing form of subsistence for which he exchanges it. Subsistence, not wealth, the purpose of the exchange for him.

The *capacity to work* has been called the capital of the worker, in so far as it is the fund which he does not consume in an individual exchange, since he can constantly repeat the exchange for the duration of his *life as a worker*. According to this, everything would be capital which is a fund of repeated^c]

[III-8]⁸⁷ processes of the same subject; e.g. the substance of the eye is the capital of sight, etc. Such belletristic phrases, which by means of some sort of analogy relate everything to everything else, may even appear profound when are said for the first time, and the more so the more they identify the most disparate things. If repeated, and especially if repeated complacently, as statements of

^a See this volume, pp. 211-14.—Ed.

^b The last, 29th, page of Notebook II of the manuscript is missing. The contents of this page can be judged by reference to the following passage in the *References* Marx made in the summer of 1861 as a guide to the notebooks of his 1857-58 manuscript (see present edition, Vol. 29): "Capital confronts the worker only as power of things. Without personal worth. Distinction from service-rendering. The worker's aim in exchange with capital—consumption. Must keep starting afresh. *Labour as the worker's capital*."—Ed.

^c The end of the missing page is restored according to the Economic Manuscript of 1861-63 (Notebook II-A), where Marx reproduced it. Further as on page 8 of Notebook III of the 1857-58 manuscript.

Page 8 of Notebook III of the manuscript is marked: *Chapter on Capital (continuation)* (from Notebook II) (Last day of November) "29, 30 November and December"—Ed.

scientific value, they are *tout bonnement*^a foolish. Suitable only for belletristic story-tellers and empty chatterboxes who besmear all sciences with their liquorice-sweet rubbish.

The fact that labour is always a new source of exchange for the worker so long as he is able to work—that is to say, not of any exchange but of exchange with capital—is inherent in the nature of the concept itself, namely that he sells only the temporary right to dispose over his labour capacity, hence can always begin the exchange anew as soon as he has absorbed the required amount of substances to be able to reproduce his life-activity. Instead of making this the object of their amazement—and telling the worker it is a great merit of capital he can live at all, that he can repeat certain life processes every day, as soon as he has slept and eaten sufficiently—these whitewashing sycophants of bourgeois political economy should rather have noted that after constantly repeated labour, the worker has *only* his living immediate labour to exchange. The repetition itself is *IN FACT* only apparent. *What he exchanges with capital is his entire labour capacity which he spends in, SAY, 20 years.* Instead of paying him for this at once, capital pays for it in instalments, as he puts it at the disposal of capital, say, in weekly instalments. This alters absolutely nothing in the nature of the matter and does not at all justify the conclusion that, because the worker must sleep for 10-12 hours before he is able to repeat his labour and his exchange with capital, labour constitutes *his capital*. What is *IN FACT* conceived of as capital here, is the limit on, the interruption of, his labour, the fact that he is not a *perpetuum mobile*. The struggle for the Ten Hours Bill,⁸⁸ etc., proves that the capitalist desires nothing more than that the worker should *expend his dosages of life power as much as possible without interruption*.

We come now to the second process, which constitutes the relation between labour and capital *after* this exchange. We want to add here only that the political economists themselves express the above statement thus: *wages are not productive*. Productive for them, *OF COURSE*, means productive of wealth. Now, since wages are the product of exchange between worker and capital—and the only product that is posited *in* this act itself—they admit that the worker produces *no wealth* in this exchange, either for the capitalist, for whom the payment of money for a use value—and this *payment* forms the only function of capital in this relationship—is the giving up of wealth, not its creation, which is why he tries to pay as little as possible; or for the worker, because it

^a Simply.—Ed.

produces for him only means of subsistence, satisfaction of individual needs, more or less—*never* the general form of wealth, never wealth. Nor can it, for the content of the commodity which he sells does not in any way place it above the general laws of circulation, under which the value he throws into circulation obtains him, by means of coin, an equivalent in another use value, which he consumes. Such an operation can *OF COURSE* never enrich, but must at the end of the process bring the operator back exactly to the point at which he was at its beginning. This does not, as we have seen,^a exclude but rather includes the possibility that the range of his immediate satisfactions may contract or expand to a certain extent. On the other hand, if the capitalist—who in this exchange is not even posited yet as capitalist but only as *money*—repeated this act again and again, his money would soon have been eaten up by the worker and he [III-9] would have squandered it in a series of other satisfactions, patched trousers, polished boots,—in short, services received. In any case, the repetition of this operation would be measured exactly by the limit of his purse. It would not enrich him any more than the expenditure of money for other use values for his own beloved self, all of which, as is well known, do not bring in but cost money.

Seeing that in the relationship of labour and capital, and also in this first relationship of exchange between the two, the worker buys exchange value and the capitalist use value, in that labour confronts capital not as a use value but as use value *pure and simple*, it may seem peculiar that the capitalist should obtain wealth, and the worker only a use value which is extinguished in consumption. // In so far as this concerns the capitalist, this is only to be developed in relation to the second process. // This appears as a dialectic, which turns into the reverse of what would be expected. But looked at more closely, it becomes clear that the worker, who exchanges his commodity, goes through the form $C-M-M-C$ in the process of exchange. If in circulation we start from the commodity, from use value as the principle of exchange, we necessarily arrive back at the commodity, in that money appears only as coin, and as means of exchange is only a vanishing mediator; but the commodity as such, after it has traversed its circuit, is consumed as a direct object of need. On the other hand, capital represents $M-C-C-M$; the antithetical moment.

The *separation of property from labour* appears as a necessary law

^a See this volume, pp. 211-17.—Ed.

of this exchange between capital and labour. Labour as *non-capital*, posited as such, is:

(1) *Not objectified labour, negatively conceived* (itself still objective; the not-objective itself in objective [objectiver]^a form). As such it is non-raw material, non-instrument of labour, non-raw product: labour separated from all means of labour and all objects of labour, from its whole objectivity [Objectivität]. Living labour existing as *abstraction* from these moments of its actual reality (likewise, non-value); this complete denudation, the purely subjective existence of labour lacking all objectivity [Objectivität]. Labour as *absolute poverty*: poverty, not as shortage, but as a complete exclusion of objective wealth. Or also as *the existing non-value* and hence purely objective use value, existing without mediation, this objectivity can only be one not separated from the person; only one coincident with his immediate corporality. Since the objectivity is purely immediate, it is also immediately non-objectivity. In other words: not an objectivity falling outside the immediate existence of the individual himself.

(2) *Not-objectified labour, non-value, positively conceived*; or negativity relating itself to itself. As such it is *not-objectified*, therefore non-objective, i.e. subjective existence of labour itself. Labour not as object but as activity; not as itself *value*, but as the *living source* of value. General wealth, in contrast to capital, in which wealth exists objectively, as reality—general wealth as its *general possibility*, which [possibility] proves itself as such in activity. It is therefore no contradiction at all that labour is on the one hand *absolute poverty as object*, and on the other the *general possibility* of wealth as subject and activity, or rather these mutually wholly contradictory statements condition each other and follow from the essence of labour, as it is *presupposed* by capital as its opposite, as the antithetical existence of capital, and as, on the other hand, it, in its turn, presupposes capital.

The last point, to which attention still has to be paid concerning the relationship of labour to capital, is this: as use value *as such* confronting money posited as capital, it is not this or that labour, but *labour pure and simple*, abstract labour; absolutely indifferent to its particular *determinateness*, but capable of assuming any determinateness. Labour must of course correspond to the particular

^a Except for the cases where the German words *objectiv* or *Objectivität* (objective, objectivity as against subjective, subjectivity) is given in brackets, the English *objective* and its derivatives stand for words derived from the German *Gegenstand* (object, thing).—Ed.

substance of which a particular capital consists as a particular labour; but since capital *as such* is indifferent to every particularity of its substance, and is both the totality of all its particularities as well as the abstraction from all of them, labour confronting capital has subjectively this same totality and abstraction in itself. E.g. in guild and craft labour, where capital itself still has an undeveloped form, is still completely immersed in a specific substance, hence is not yet *capital as such*, labour, too, appears as still immersed in its particular specificity; [appears] not in the totality and abstraction of labour *as such* as it confronts capital. That is to say, though labour is in every individual case a specific kind of labour, capital can confront any *specific* labour; the *totality* of all labour confronts it *δυνάμει*^a and it is fortuitous which particular one confronts it at any particular time.

On the other hand, the worker himself is absolutely indifferent to the specificity of his labour; it has as such no interest for him, but only in so far as it is, in general, *labour* and is as such use value for capital. [III-10] To be the bearer of labour as such, i.e. of labour as *use value* for capital, is therefore the sum total of his economic character; he is *worker* in contrast to the capitalist. This is not the character of the artisan, guild-member, etc., whose economic character lies precisely in the *specificity* of their labour and their relation to a *specific master*, etc.

This economic relation—the character which capitalist and worker bear as the extremes of a relation of production—is therefore developed the more purely and adequately, the more labour loses all craft-like character, the more its particular skill becomes something abstract, irrelevant, and the more it becomes *purely abstract*, purely mechanical *activity*, hence irrelevant, indifferent to its particular form; the more it becomes merely *formal* activity or, what is the same, merely *physical* [*stoffliche*] activity, activity pure and simple, indifferent to its form. Here we have another example of how the particular specificity of the relation of production, of the category—here capital and labour—becomes real only with the development of a particular *material mode of production* and a particular stage of development of the industrial *productive forces*. (This point in general to be particularly developed in the context of this relation later, as it is already *posited* here in the relation itself, while in the case of the abstract determinations, exchange value, circulation, money, it is still more relevant to our subjective reflection.)

^a Potentially.—Ed.

(2) We come now to the second aspect of the process. The exchange between capital or capitalist and the *worker* is now complete, in so far as it is a question of the process of *exchange* at all. It now proceeds to the relation of capital to labour as its use value. Labour is not only the *use value* confronting capital, it is *the use value* of capital itself. As the non-being of values in so far as they are objectified, labour is their being in so far as they are not objectified, their ideal being; the possibility of values, and as activity the positing of value. Opposed to capital it is the mere abstract form, the mere possibility of value-positing activity which exists only as ability, capacity in the bodily existence of the worker. But brought into real activity by contact with capital—by itself it cannot enter upon such activity, since it is without object—it becomes a real value-positing, productive activity. With respect to capital, the activity can, in general, only consist in the reproduction of capital—the preservation and increase of it as *real* and *effective* value, not of only notional value, as in money as such. By the exchange with the worker, capital has appropriated labour itself, which has become one of the moments of capital, and which now acts as a fructifying vitality upon its merely present and hence dead objectivity.

Capital is money (exchange value posited for itself), but no longer money as in a particular substance and therefore excluded from the other substances of the exchange values existing alongside it, but obtaining its ideal determination in all substances, in exchange values representing every form and mode of existence of objectified labour. In so far as capital, as money existing in all particular forms of objectified labour, now enters the process with labour, not objectified labour but living labour, labour existing as process and action, it is initially in this qualitative difference of the substance in which it exists from the form, in which it now *also* exists as labour. It is in the process of this distinction and the transcendence of this distinction that capital itself becomes a process.

Labour is the yeast thrown into capital, bringing it now into fermentation. On the one hand, the objectivity in which capital exists must be processed, i.e. consumed by labour. On the other hand, the mere subjectivity of labour as pure form must be transcended, and it must be objectified in the material of capital. The relation of capital in accordance with its content to labour, of objectified labour to living labour—in this relation where capital appears as passive towards labour, it is its passive being, as a particular substance, that enters into relation with labour as

creative activity—can in general only be the relation of labour to its objectivity, its physical matter—(which must be dealt with already in the first chapter which must precede that on exchange value and must treat of production in general)—and with regard to labour as activity the physical matter, the objectified labour, has only two relations: that of the *raw material*, i.e. of the formless physical matter, of mere material for the form-giving, purposive activity of labour; and that of the *instrument of labour*, of the means, itself objective, by which the subjective activity inserts an object as its conductor between itself and the object.

The determination as *product*, which the economists bring in here, does not yet belong here at all, as a determination *distinct* from raw material and instrument of labour. It appears as *result*, not as *premiss* of the process between the passive content of capital and labour as activity. As *premiss*, the product is not a relation of the object to labour different from raw material and instrument of labour, because raw material and instrument of labour, as they are the substance of values, are themselves *objectified labour, products*. The substance of value is in general not the particular natural substance, but objectified labour. This itself, [III-11] in turn, appears in relation to *living labour* as *raw material* and *instrument of labour*. Considering the simple act of production in itself, the instrument of labour and the raw material may appear as already existing in nature, so that they only need to be *appropriated*, i.e. made into object and means of labour, which is not itself a process of labour. In relation to them, therefore, the *product* appears as something qualitatively different, and is a product not only as the result of labour applied by means of the instrument to the physical matter, but as the first *objectification of labour* alongside them. But as component parts of capital, raw material and instrument of labour are themselves already objectified labour, that is *product*.

This still does not exhaust the relationship. For, e.g. in production in which no exchange value at all exists, no capital therefore exists, the product of labour can become the means and object of new labour. For example, in agriculture producing purely for use value. The bow of the hunter, the net of the fisherman, in short the simplest conditions already presuppose the product which ceases to count as product and becomes *raw material*, or in particular *instrument of production*, for this is really the first specific form in which the product appears as means of reproduction. This relation therefore by no means exhausts the relationship in which *raw material* and *instrument of labour* make their appearance as moments of capital itself.

The economists, incidentally, bring in the *product* as the third element of the substance of capital in quite a different connection as well. It is the product, in so far as it is destined to step outside both the process of production and circulation, and to be immediate object of individual consumption, *approvisionnement*, as Cherbuliez calls it.^a That is to say, the products which are presupposed so that the worker lives as worker and is capable of living during production, before a new product is produced. That the capitalist possesses this capacity is posited in that each element of capital is money and as such can be transformed from itself as the general form of wealth into the physical matter of wealth, objects of consumption. The *approvisionnement* of the economists, therefore, applies only to the workers; i.e. it is the money expressed in the form of consumable objects, use value, which they receive from the capitalist in the act of exchange between the two [parties]. But this belongs in the first act [of the exchange]. How far this first act is related to the second, is not yet at issue here. The only diremption posited by the process of production itself is the original diremption, that posited by the distinction between objectified labour and living labour itself, i.e. that between *raw material* and *instrument of labour*. That the economists confuse these determinations is quite in order, since they must confuse the two moments of the relation between capital and labour and dare not fix the specific difference between them.

Thus: the raw material is consumed by being changed, formed by labour, and the instrument of labour is consumed by being used up in this process, worn out. On the other hand, labour is likewise consumed by being employed, set in motion and so a definite quantity of the muscular strength, etc., of the worker is spent, whereby he exhausts himself. But it is not merely consumed; at the same time, it is converted from the form of activity and fixed, materialised, into that of object, of rest; as change of object, it changes its own form and from activity becomes being. The end of the process is the *product*, in which the raw material appears as combined with labour, and in which the instrument of labour has likewise translated itself from mere possibility into reality, in that it has become the real conductor of labour, but thereby it has been consumed in its static form through its mechanical or chemical relation to the material of labour.

^a Cherbuliez used "approvisionnement" in the sense of "means of subsistence" (*Richesse ou pauvreté*, Paris, 1841, p. 16).—Ed.

All three moments of the process: material, instrument, labour, coincide in a neutral result: *the product*. In the product are at once reproduced the moments of the process of production which were consumed in it. The whole process therefore appears as *productive consumption*, i.e. as consumption which neither ends in *nothing* nor in the mere subjectification of the objective, but which, in turn, is itself posited as an *object*. The consumption is not a simple consumption of the physical matter, but consumption of consumption itself; in the transcendence of the physical matter, it is the transcendence of this transcendence, and hence the *positing* of the physical matter. The *form-giving* activity consumes the object and consumes itself, but it consumes the given form of the object only in order to posit it in a new objective form, and it consumes itself only in its subjective form as activity. It consumes the objectivity [das Gegenständliche] of the object—the indifference to form—and the subjectivity [das Subjektive] of the activity; forms the one, materialises the other. As *product*, however, the result of the process of production is *use value*.

[III-12] If we now consider the result so far obtained, we find:

Firstly: By the appropriation, incorporation of labour into capital—money, i.e. the act of purchase of the right to dispose over the worker, appears here only as a means of bringing about this process, not as a moment of the process itself—capital begins to ferment and becomes a process, the *process of production*, in which it, as totality, as living labour, relates to itself not only as objectified, but—because objectified—as *mere object* of labour.

Secondly: In simple circulation, the substance of the commodity and of money was itself of no consequence for their formal character, i.e. in so far as commodity and money remained moments of circulation. The commodity, so far as its substance was concerned, fell outside the economic relationship as object of consumption (of need). Money, in so far as its form made itself independent, still related itself to circulation, but only negatively, and was only this negative relation. Fixed for itself, it was likewise extinguished in dead materiality, ceased to be money. Commodity and money were both expressions of exchange value and different only as general and particular exchange value. This difference itself was, in turn, only a notional one, in that both in real circulation the two determinations were exchanged, and each considered for itself changed its determination: money itself was a particular commodity and the commodity as price was itself general money. The difference was only formal. Each was posited

in the one determination only because, and in so far as, it was not posited in the other. Now, however, in the process of production, capital distinguishes itself as a form from itself as a substance. It is both aspects at once, and at the same time the relation of the two to one another. But:

Thirdly: It appeared as this relation still only *in itself*. The relation is not yet *posited*, or is initially posited only in the character of one of the two moments, that of the *physical matter*, which is in itself different as material (raw material and instrument) and form (labour), and as the relation of both, as real process, is itself again only a relation of physical matter—relation of the two physical elements which make up the content of capital distinct from its formal relation as capital.

If we consider capital from the aspect in which it originally appears distinct from labour, it is in the process only passive being, only objective being, in which the formal character which makes it capital—i.e. a social relationship existing for itself⁸⁹—is completely extinguished. It enters the process only as content—as objectified labour in general; but the fact that it is objectified labour is completely indifferent to labour, and it is the relation of labour to capital which constitutes the process. Indeed, it is only as object, not as *objectified labour*, that it enters the process, that it is worked on. Cotton which becomes yarn, or yarn which is woven into cloth, or the cloth which becomes material for printing and dyeing, exist for labour only as already available cotton, yarn, cloth. In so far as they themselves are products of labour, are objectified labour, they do not enter into any process at all; they do so only as material existences with particular natural properties. *How* these have been posited in them does not concern the relation of living labour to them; for living labour they exist only in so far as they exist in distinction from it, i.e. as material for labour:

This, in so far as the point of departure is capital in its objective form as a prerequisite for labour. On the other hand, in so far as labour itself has become one of capital's objective elements through the exchange with the worker, its distinction from the objective elements of capital is itself only an objective one; the objective elements are in the form of rest, labour is in the form of activity. The relation is the physical one of one of its elements to the other; but not *its own* relation to both.

Capital appears therefore on the one hand only as *passive object*, in which all relation of form has been extinguished; it appears on the other hand only as simple *process of production*, in which capital

as such, as distinct from its substance, does not enter. It does not even appear in the substance appropriate to it—as objectified labour, for this is the substance of exchange value—but only in the natural form of being of this substance, in which all relation to exchange value, objectified labour, to labour itself as use value of capital—and therefore all relation to capital itself—has been extinguished.

Looked at from this side, [III-13] the process of capital coincides with the simple process of production as such, in which its character as capital is quite as extinguished in the form of the process, as money was extinguished as money in the form of value. So far as we have considered this process up to this point, capital existing for itself, i.e. the capitalist, does not enter at all. It is not the capitalist who is consumed by labour as raw material and instrument of labour. Nor is it the capitalist who consumes, but labour. The process of production of capital thus does not appear as the process of production of capital but as the process of production pure and simple, and, in *distinction from labour*, capital appears only in its physical determination of *raw material* and *instrument of labour*. It is this aspect—which is not merely an arbitrary abstraction but an abstraction vanishing in the process itself—which the economists seize upon in order to represent capital as a necessary element of every process of production. Of course, they only do this by forgetting to pay attention to its behaviour as capital during this process.

Here is the place to draw attention to a moment which here, for the first time, arises not only from the standpoint of observation but is posited in the economic relationship itself. In the first act, in the exchange between capital and labour, labour as such, existing *for itself*, necessarily appeared as the *worker*. Similarly here in the second process: capital in general is posited as value existing for itself, as *egotistic* value, so to speak (something which was only aspired to in money). But capital existing for itself is the *capitalist*. Of course, socialists say: we need capital, but not the capitalist.⁹⁰ Capital then appears as a pure thing, not as relationship of production, which, reflected in itself, is precisely the capitalist. I can indeed separate capital from this individual capitalist and it can pass on to another one. But when the former loses his capital, he loses the quality of being a capitalist. Capital is therefore quite separable from an individual capitalist, but not from *the* capitalist who as such confronts *the* worker. In the same way the individual worker can cease to be the being-for-itself of labour; he can inherit money, steal, etc. But then he ceases to be a *worker*. As

worker he is only labour existing for itself. (This to be further developed later.)

[LABOUR PROCESS AND PROCESS OF VALORISATION]

Nothing can emerge at the end of the process which did not appear at its beginning as its premiss and condition. On the other hand, however, all this must indeed emerge. If, therefore, at the end of the process of production which began with capital as its premiss, capital seems to have finally disappeared as a formal relation, this can only be the case because the invisible threads which it draws through the process, have been overlooked. Let us therefore consider this aspect.

The first result, then, is:

α) By the incorporation of labour into capital, capital becomes process of production; but initially *material* process of production; process of production in general, so that the process of production of capital is not distinct from the material process of production in general. Its determinateness of form is completely extinguished. Since capital has exchanged a part of its objective being for labour, that objective being itself is internally divided into object and labour; the relation of the two constitutes the process of production, or more precisely the *labour process*. Thus the *labour process, posited as point of departure before value*,—a process which because of its abstractness, its pure materiality, is equally common to all forms of production—here reappears *again within capital*, as a process which proceeds within its physical matter, forms its content.

(It will become evident that also within the process of production itself, this *extinction of the determinateness of form* is only a semblance.)

In so far as capital is value, but as a process initially appears under the form of the simple process of production, the process of production not posited in any particular *economic* determinateness, but the process of production in general, it can be said—depending on which particular aspect of the simple process of production (which as such, as we have seen, does not presuppose capital at all but is common to all modes of production) is fixed on—that capital becomes product, or that it is instrument of labour, or also the raw material of labour. Further, if it is conceived as one of those aspects which confronts labour as physical matter or mere means, then it is correct to say that capital

is not productive⁹¹ because it is then considered merely as the object, the material confronting labour; as merely passive. What is correct, however, is that it does not appear as one of these aspects, nor as the distinction of one aspect in itself, nor as mere result (product), but as the simple process of production itself; that this process now appears as the self-moving *content* of capital.

[III-14] β) Now to consider the aspect of formal determinateness, as it preserves and modifies itself in the process of production.

∥ What is *productive labour* or what is *not*, a point about which there has been much contention since *Adam Smith* made this distinction,^a must emerge from the dissection of the different aspects of capital itself. *Productive labour* is only that which produces *capital*. Is it not crazy, asks e.g. (at least something like that) Mr. Senior, that the piano-maker should be a *productive worker* but not the *piano-player*, although surely the piano would be a NONSENSE without the piano-player^b? But this is exactly the case. The piano-maker reproduces *capital*; the pianist only exchanges his labour for revenue.⁹² But doesn't the pianist produce music and satisfy our musical ear; doesn't he also produce the latter to a certain degree? IN FACT, he does so; his labour produces something; but it is not thereby *productive labour* in the *economic* sense; as little productive as is the labour of the madman who produces delusions. *Labour is productive only when it produces its own opposite*. Other economists therefore allow the so-called unproductive worker to be indirectly productive. For example, the pianist stimulates production; partly because he gives a more positive, vital tuning to our individuality, or also in the ordinary sense that he awakens a new need for whose satisfaction more industry is applied in immediate material production. But this already implies the admission that only labour which produces capital is productive; that therefore labour which does not do that, however *useful* it may be—it may just as well be harmful—is not productive for capitalisation, HENCE is unproductive labour.

Other economists say that the distinction between productive and unproductive labour should be related not to production but to consumption. QUITE THE CONTRARY. The tobacco-producer is productive, although the consumption of tobacco is unproductive.

^a A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. II, London, 1836, pp. 335-85.—Ed.

^b N. W. Senior, *Principes fondamentaux de l'économie politique*, Paris, 1836, pp. 195-206.—Ed.

Production for unproductive consumption is QUITE AS PRODUCTIVE AS THAT FOR PRODUCTIVE CONSUMPTION; ALWAYS SUPPOSED THAT IT PRODUCES OR REPRODUCES CAPITAL.

"PRODUCTIVE LABOURER HE THAT DIRECTLY AUGMENTS HIS MASTER'S WEALTH," says Malthus therefore quite correctly ([*Principles of Political Economy*, 2nd ed., London, 1836, p. 47] IX,^a 40).⁶⁵

Correct at least in one aspect. The expression is too abstract, since, formulated like this, it is equally true of the slave. The MASTER'S WEALTH in relation to the worker is the form of wealth itself in its relation to labour, i.e. capital. PRODUCTIVE LABOURER HE THAT DIRECTLY AUGMENTS CAPITAL. //

As *use value* labour exists only *for capital*, and it is the use value of capital itself, i.e. the mediating activity by which capital *valorises* itself. Capital reproducing and increasing its value is independent exchange value (money) as process, as *process of valorisation*. Labour does not therefore exist as use value for the worker; it does not exist *for him*, therefore, as *power productive* of wealth, as means or as activity of enrichment. He brings it as use value into the exchange with capital, which thus confronts him not as capital but as *money*. It is only capital as capital in relation to the worker through the consumption of labour, which initially falls outside this exchange and is independent of it. Whereas it is *use value* for capital, labour is *mere exchange value* for the worker; available *exchange value*. As such it is posited in the act of exchange with capital, by means of its sale for money.

The use value of a thing does not concern its seller as such, only its buyer. The property of saltpetre—that it can be used to make gun-powder—does not determine the price of saltpetre. This price is determined by the production costs of the saltpetre itself, the quantity of labour objectified in it. In circulation, into which use values enter as prices, their value does not result from circulation, although it is realised only in circulation; it is *presupposed* to it, and is realised only by means of exchange for money.

Similarly, the labour which is sold by the worker as *use value* to capital, is for the worker his *exchange value* which he wants to realise, but which has already been *determined* before this act of exchange, is presupposed as condition for it, determined like the value of every other commodity by demand and supply or, in general—and we are concerned here only with the general

^a This should be X.—Ed.

level—by the costs of production, the quantity of objectified labour, by which the worker's labour capacity has been produced and which it therefore receives as equivalent. The [III-15] exchange value of labour, whose realisation takes place in the process of exchange with the capitalist, is therefore *presupposed*, predetermined, and merely undergoes the formal modification which every price posited only notionally receives through its realisation. It is not determined by the use value of labour. For the worker himself, labour has use value only in so far as it is *exchange value*, not in so far as it produces exchange values. For capital, it has exchange value only in so far as it is use value. It is use value as distinct from its exchange value not for the worker himself, but only for capital. The worker therefore exchanges labour as a simple exchange value which has been predetermined, determined by a previous process. He exchanges labour itself as *objectified labour*, i.e. only in so far as it already objectifies a definite quantity of labour and hence its equivalent is already measured, given. Capital obtains it through exchange as living labour, as the general power productive of wealth; as wealth-augmenting activity. It is clear, therefore, that the worker cannot *enrich* himself through this exchange, since, in exchange for his labour capacity as a given magnitude, he surrenders its *creative power*, like Esau who gave up his birthright for a mess of pottage.³ Rather, he necessarily impoverishes himself, as we shall see later on, in that the creative power of his labour establishes itself as the power of capital, and confronts him as an *alien power*. He *divests* himself of labour as power productive of wealth; capital appropriates it as such. The separation of labour and property in the product of labour, the separation of labour and wealth, is therefore posited in this very act of exchange. What appears as paradoxical *result*, is already contained in the premiss itself. The economists have expressed this more or less empirically.

Thus the productivity of his labour, his labour altogether, in so far as it is not a *capacity* but movement, *real labour*, becomes an *alien power* relative to the worker. Capital, on the contrary, valorises itself through the *appropriation of alien labour*. (At least valorisation is thereby made possible; as a result of the exchange between labour and capital. The relationship is realised only in the act of production itself, where capital actually consumes alien labour.)

Just as labour as *presupposed* exchange value is exchanged by the

³ Genesis 25:31-34.—Ed.

worker for an equivalent in money, this is, in turn, exchanged for an equivalent in *commodities* which are consumed. In this process of exchange, labour is not productive; it only becomes so for capital; it can withdraw from circulation only what it has thrown into it, a *predetermined* quantity of commodities which is no more its own product than it is its own value.

The workers, says *Sismondi*, exchange their labour for grain and consume it, while their labour "has become *capital* for their master" (*Sismondi*, [*Nouveaux principes d'économie politique*, Vol. I, p. 90,] VI).

"Giving their labour in exchange, the workers *convert* it into capital" (*idem*, [p. 105,] VIII).

By selling his labour to the capitalist, the worker receives a right only to the *price of labour*, not to the *product of this labour* nor to the value *he has added to it* (*Cherbuliez*, [*Richesse ou pauvreté*, pp. 55-56,] XXVIII).

"Sale of labour=*renunciation of all the fruits of labour*" (*l.c.* [p. 64]).

All advances of civilisation, therefore, or in other words all expansion of the *social productive forces*, or, IF YOU WANT, of the *productive forces of labour itself*—as they result from science, inventions, division and combination of labour, improved means of communication, creation of the world market, machinery, etc.—do not enrich the worker but *capital*; hence they only further enlarge the power dominating over labour; enlarge only the productive power of capital. Since capital is the antithesis of the worker, they augment only the *objective power* standing over labour.

The *transformation of labour* (as living, purposive activity) into *capital* is, *in itself*, the result of the exchange between capital and labour, in so far as that transformation gives the capitalist the right of ownership over the product of labour (and command over labour). *This transformation is posited only in the process of production itself*. The question whether or not capital is productive is therefore absurd. Labour itself is *productive only* as absorbed into capital, only where capital constitutes the basis of production and the capitalist is therefore the commander of production. The productivity of labour becomes the productive power of capital in the same way as the general exchange value of commodities fixes itself in money. Labour, as it exists in contrast to capital, *for itself*, in the worker, labour therefore in its *immediate being*, separated from capital, is *not productive*. As activity of the worker, moreover, it never becomes *productive*, because it enters only into the simple process of circulation, which effects only formal transformations. Those writers, therefore, who demonstrate that all [III-16] the productive power ascribed to capital is a *misplacement*, a *transposi-*

tion of the productive power of labour, forget precisely that capital is itself essentially this *misplacement*, this *transposition*, and that wage labour as such presupposes capital, which is, therefore, this *TRANSUBSTANTIATION* also from the viewpoint of wage labour; the necessary process for wage labour to posit its own powers as *alien* to the worker. To leave wage labour and at the same time to abolish capital is therefore a self-contradictory and self-negating demand.

Others, even economists, e.g. Ricardo, *Sismondi*, etc., say that *only labour*, not capital, is productive.^a But then they do not conceive capital in its *specific determinateness of form*, as a *relation of production*, reflected in itself, and think only of its physical substance, raw material, etc. But these physical elements do not make capital into capital. On the other hand, it then again occurs to them that capital is in one respect *value*, i.e. something *immaterial*, indifferent to its physical consistency. Thus *Say*:

"Capital is always immaterial by nature, since it is not matter which makes capital, but the *value* of that matter, value which has nothing corporeal about it" (*Say*, [*Traité d'économie politique*, 3rd ed., Vol. II, p. 429,] 21).

Or *Sismondi*:

"Capital is a commercial *idea*" (*J. C. L. Simonde de Sismondi*, [*Études sur l'économie politique*, Vol. II, p. 273,] LX).^b

But then again it occurs to them that capital is also another economic determination than *value*, for otherwise it would not be possible at all to speak of capital *in distinction from value*, and, that even if all capitals are values, values as such are not capital. Then they take refuge again in its physical form within the process of production, e.g. when Ricardo explains capital as ACCUMULATED LABOUR EMPLOYED IN THE PRODUCTION OF NEW LABOUR, i.e. as mere *instrument of labour* or *material for labour*.^c In this sense, *Say* even speaks of the *productive service of capital*,^d upon which its remuneration is supposed to be based, as if the instrument of labour as such had a claim upon the gratitude of the worker, and as if it were not

^a D. Ricardo, *On the Principles of Political Economy, and Taxation*, pp. 334-37; J. C. L. Simonde de Sismondi, *Études sur l'économie politique*, Brussels, 1837-38, Vol. I, p. 22 and Vol. II, p. 273.—*Ed.*

^b The quotations from *Say* and *Sismondi* are in French in the manuscript.—*Ed.*

^c D. Ricardo, *On the Principles of Political Economy, and Taxation*, pp. 327 and 499.—*Ed.*

^d J. B. *Say*, *Traité d'économie politique*, 3rd ed., Vol. II, pp. 425 and 429. Marx quotes in French.—*Ed.*

precisely and only through him that it can function as instrument of labour and become *productive*. The independence of the instrument of labour, i.e. a *social* determination of the instrument of labour, i.e. its determination as capital, is thus presupposed in order to deduce the claims of capital. Proudhon's phrase "capital is value, labour produces"^a means absolutely nothing but: capital is value, and as nothing is said about capital here other than that it is value, value is value (the subject of the judgement is here simply another name for the predicate); and labour produces, is productive activity, means labour is labour, since it is nothing apart from the "produces".

That these identical judgements do not contain any great fund of wisdom must be obvious; and especially that they cannot express a relationship such as that between value and labour in which they themselves relate to one another and distinguish themselves from each other, and do not just lie side by side in mutual indifference. Already the fact that it is *labour* which appears confronting capital as subject, i.e. the worker only in the determination of *labour*, and this is not *he himself*, should open one's eyes. This already implies, quite apart from capital, a relationship of the worker to his own activity which is in no way the "*natural*" relationship, but itself already contains a specific *economic* determination.

Capital, so far as we consider it here, as a relationship of value and money, which must be distinguished, is *capital in general*, i.e. the quintessence of the characteristics which distinguish value as capital from value as simple value or money. Value, money, circulation, etc., prices, etc., are all presupposed, as well as labour, etc. But we are concerned neither as yet with a *particular* form of capital, nor with *one individual capital* as distinct from other individual capitals, etc. We are present at the process of its becoming. This dialectical process of becoming is only the ideal expression of the real movement through which capital comes into being. The later relations are to be considered as a development coming out of this germ. But it is necessary to fix the specific form in which capital exists at a *certain* point. Otherwise, confusion results.

[III-17] Capital has so far been considered under the aspect of its physical matter as *simple process of production*. But this process is,

^a P. J. Proudhon, *Système des contradictions économiques, ou Philosophie de la misère*, Vol. I, p. 61. Marx quotes in French.—Ed.

under the aspect of its formal determination, a *process of self-valorisation*. Self-valorisation includes both the preservation of the original value and its multiplication.

Value enters as subject. Labour is purposive activity, and so, as far as the physical aspect is concerned, it is presupposed that in the process of production the instrument of labour has really been used as a means to an end, and that the raw material has obtained a higher use value as product than it had before, whether as a result of a chemical change of matter or of a mechanical transformation. But this side of the process, as it concerns only use value, still belongs to the simple process of production. It is not the issue here—this is indeed included, presupposed—that a higher use value has been produced (this is itself very relative; if corn is transformed into brandy, the higher use value itself is already posited with respect to circulation). Also no higher use value is produced for the individual, for the producer. At least this is fortuitous and does not concern the relationship as such. But a higher use value is produced *for others*. The point is that a *higher exchange value* has resulted.

In simple circulation, the process ended for the individual commodity when it reached its destination as use value and was consumed. It thereby went out of circulation, lost its exchange value, and its economic determination in general. Capital has consumed its material by means of labour and labour by means of its material; it has consumed itself as use value, but only as *use value for it itself*, as capital. Its consumption as use value itself, therefore, here falls within circulation, or rather it itself posits the *beginning of circulation*, or its end, whichever one wishes. The consumption itself of use value falls here within the economic process, because the use value itself is here determined by exchange value. At no moment of the process of production does capital cease to be capital or value to be value, and as such *exchange value*. Nothing is more stupid than to say, as Mr. Proudhon does,^a that capital changes from product into exchange value by the act of exchange, i.e. by the fact that it re-enters simple circulation. We would thereby have been flung right back to the beginning, even to direct barter, where the genesis of exchange value from the product is observed.

^a *Gratuité du crédit. Discussion entre M. Fr. Bastiat et M. Proudhon*, pp. 177-81. See this volume; pp. 195-96.—Ed.

That capital can and does re-enter circulation as commodity after the conclusion of the process of production, after its consumption as use value, is already implied in the fact that it was presupposed as self-preserving exchange value. But in so far as it now becomes commodity again only as product, and as commodity becomes exchange value, gets a price and as such is realised in money, it is a simple commodity, exchange value in general. As such it is in circulation exposed to the even chance that it may or may not be realised in money, i.e. that its exchange value may or may not become money. It is therefore much truer to say that its exchange value has become problematical—previously it was notionally posited—than that it has *come into existence*. And what is more, the fact that it is *really* posited as a higher exchange value in circulation cannot have arisen from circulation itself, in which in its simple determination only equivalents are exchanged. If it comes out of circulation as a higher exchange value, it must have entered it as such.

Capital as a form consists not of objects of labour and labour, but of *values* and still more definitely of *prices*. That its value elements have assumed different substances during the process of production, does not concern their determination as values; they are not thereby changed. If out of the form of unrest—of the process—they again condense themselves at the end of the process into resting, objective form in the product, this is likewise a mere change of physical matter in relation to value which does not affect it. True, the substances as such have been destroyed, but they have not been made into nothing but into a differently formed substance. Earlier, they appeared as elementary, indifferent conditions of the product. Now they are the product. The value of the product can therefore only=the sum of values which were materialised in the particular physical elements of the process, as raw material, instrument of labour (to this category belong also the purely instrumental commodities) and as labour itself. The raw material has been entirely consumed, so has the labour; the instrument only partly so; it therefore continues to possess part of the value of the capital in its particular mode of existence before the process began. This part therefore does not enter at all into consideration here, since it suffered no alteration. The different modes of existence of value were mere semblance, value itself constituted the essence which remained identical to itself in their disappearance. The product considered as value is from this aspect not a *product*, but rather identical, unchanged value, only existing in a different mode, which

is, however, also irrelevant to it and can be exchanged for money.

The value of the product=the value of the raw material+the value of the destroyed part of the instrument of labour (i.e. the part which has been transferred to the product and transcended in its original form)+the value of the labour. Or the price of the product is equal to its costs of production, i.e.=the sum of the prices of the commodities which have been consumed in the process of production. In other words, this means nothing more than that with respect to its physical matter the process of production was of no consequence for value; [III-18] that it has therefore remained identical with itself and has only adopted another physical mode of existence, has been materialised in another substance and form. (The form of the substance does not concern the economic *form*, i.e. value as such.)

If the capital was originally=to 100 thaler, then afterwards, as before, it is 100 thaler, although the 100 thaler existed in the process of production as 50 thaler of raw cotton, 40 thaler of wages+10 thaler of the spinning machine; and now exists as spun cotton yarn to the price of 100 thaler. This reproduction of the 100 thaler is a simple retention of self-identity, it is only mediated by the material process of production. This must therefore proceed to the product or else the cotton loses its value, the instrument of labour has been consumed in vain and wages paid to labour in vain. The only condition for the self-preservation of value is that the process of production is really a total process, i.e. proceeds to the product. The totality of the process of production, i.e. that it proceeds to the product, is here in fact the condition for the self-preservation, retention of self-identity of value; but this is already implied in the first condition, that capital really becomes use value, real process of production; it is therefore at this point *presupposed*.

On the other hand, the process of production is a process of production for capital *only* in so far as it preserves itself as value in this process, i.e. in the product. The statement that the necessary price=the sum of the prices of the costs of production, is therefore purely analytical.⁹³ It is the premiss of the production of capital itself. First, the capital is posited as 100 thaler, as simple value; then it is posited in this process as the sum of the prices of specific value elements of itself, determined by the very process of production. The price of capital, its value expressed in money=the price of its product. That is, the value of capital as result of the process of production is the same as it was as the premiss of the

process.

During the process, however, it does not subsist in the simplicity it had at the beginning, or the one which it takes on again at the end as result, but divides itself into what are initially completely indifferent quantitative components, namely value of labour (wages), value of instrument of labour and value of raw material. As yet, no other relation is posited than that in the process of production simple value divides itself numerically as several values which fuse again in the product in their simplicity, but which exist now as a *sum*. But the *sum*=the original unity. With respect to value, there is apart from the quantitative division absolutely no distinction in the relation between the different value quantities. 100 thaler was the original capital, 100 thaler is the product, but the 100 thaler now as the sum of 50+40+10 thaler. I could also have taken the 100 thaler originally as a sum of 50+40+10 thaler, but just as well as a sum of 60+30+10 thaler, etc. That it now appears as a sum of specific numbers of units is posited by the fact that each of the different physical elements into which the capital divided itself in the process of production represented a part, but a specific part, of its value.

It will become clear later that these numbers into which the original unity is divided, themselves have certain relations to one another, but that does not concern us here yet. In so far as a movement is posited in value itself during the process of production, it is a purely formal movement consisting in the following simple act: that value first exists as a unity, a definite number of units, which is itself regarded as a unity, as a whole: capital of 100 thaler; second, that during the process of production this unity is divided into 50 thaler, 40 thaler, and 10 thaler, a division which is essential in so far as material of labour, instrument and labour are required in specific quantities, but here, in relation to the 100 thaler themselves, this division is merely an indifferent breaking down into different amounts of the same unit; finally, that the 100 thaler reappear in the product as *sum*. The only process in relation to value, that at one time it appears as a whole, a unity; then as division of this unity into specific amounts; finally as *sum*. The 100 thaler which appear at the end as *sum* are equally and precisely the *sum* which appeared at the beginning as a unity. The determination of the *sum*, of the adding together, came about only through the division occurring in the act of production; but does not exist in the product as such. The statement thus says nothing more than that the price of the product=the price of the production costs, or that the value of the

capital=the value of the product, i.e. that the value of the capital has preserved itself in the act of production and now appears as *sum*.

With this simple identity of capital or reproduction of its value through and throughout the process of production, we would not yet have got any farther than we were at the beginning. What was there at the beginning as premiss is now [III-19] there as result and indeed in unaltered form. It is clear that this is not what the economists in fact mean when they speak of the determination of price by the production costs. Otherwise, a value greater than was originally present could never be created; no greater exchange value, although a greater use value, which is not the point at all here. The point is the *use value of capital* as such, not of the use value of a commodity.

If one says that the production costs or the necessary price of a commodity is=to 110, the calculation is as follows: original capital=100 (thus e.g. raw material=50; labour=40; instrument=10)+5% interest +5% profit. Therefore the production costs=110, not=100; the production costs [Produktionskosten]²⁹ are therefore greater than the costs of production [Kosten der Produktion].

It is of absolutely no avail to flee from the exchange value of commodities to their use value, as some economists like to do. Whether this use value is higher or lower does not as such determine exchange value. Commodities often fall below their price of production,⁹⁴ though they doubtless have obtained a higher use value than they had in the period *before* production.

It is just as useless to take refuge in circulation. I produce for 100 but sell for 110.

"PROFIT IS NOT MADE BY EXCHANGING. HAD IT NOT EXISTED BEFORE, NEITHER COULD IT AFTER THAT TRANSACTION" (Ramsay, [*An Essay on the Distribution of Wealth*, Edinburgh, 1836, p. 184] IX, 88).

That amounts to trying to explain from simple circulation the augmentation of value, whereas, on the contrary, circulation *expressly* posits value only as an equivalent. It is also clear empirically that if everyone sells 10% too dear, this is the same if they all sold for the production costs. Surplus value⁹⁵ would thereby be purely nominal, fictitious, conventional, a mere phrase. And since money is itself a commodity, a product, it would also be sold 10% too dear, i.e. the seller who received 110 thaler would IN FACT receive only 100.

(See *Ricardo* on foreign trade which he conceives of as simple circulation and therefore says:

"Foreign trade can never increase the exchange values of a country" (Ricardo, [*On the Principles of Political Economy, and Taxation*, p. 131,] 39, 40⁹⁶).

The reasons he advances for this are absolutely the same as those which "prove" that exchange as such, simple circulation, that is trade in general, so far as it is conceived of as circulation, can never raise *exchange values*, can never produce *exchange value*.)

The statement that price=production costs, would otherwise have to be read as: the price of a commodity is always greater than its production costs.

Apart from the simple numerical division and adding together, the process of production also adds the formal element to value, namely that its elements now appear as *production costs*, i.e. precisely that the elements of the process of production itself are not preserved in their physical qualities but rather as *values*, which are consumed in the form of being they had *prior* to the process of production.

On the other hand, it is clear that, if the act of production is only the reproduction of the value of capital, only a change of physical matter, not an economic one, would have occurred in it, and that such a mere preservation of its value contradicts its concept. True, it would remain outside circulation, like autonomous money, it would adopt the form of various commodities, but to no purpose. This would be a pointless process, since it would ultimately represent only the identical sum of money, and would merely have run the risk of being damaged in the act of production, which can miscarry, and in which money gives up its imperishable form.

WELL. The process of production is now at an end. The product has also been realised in money again, and has adopted once more the original form of the 100 thaler. But the capitalist must also eat and drink; he cannot live on this change in the form of money. A part of the 100 thaler would therefore have to be exchanged not as capital, but as coin for commodities as use values and consumed in this form. The 100 thaler would have become 90, and since he always ultimately reproduces capital in the form of money, more precisely, in the form of the quantity of money with which he began production, in the end the 100 thaler would be eaten up and the capital would have gone. But the capitalist is paid for the *labour* of throwing the 100 thaler as capital into the process of

production instead of consuming them. But with what is he to be paid? And does not his labour appear absolutely useless, since capital includes wages, which means that the workers could live by the simple reproduction of the production costs, which the capitalist cannot do? He would therefore appear among the *faux frais de production*.^a But whatever the service he renders may be—reproduction would be possible without him, since the workers in the process of production demand only the value they bring into it, therefore do not need the whole relation of capital in order to begin the process of production always anew. Secondly, there would be no fund from which the capitalist's service could be paid for, since the price of the commodity=the production costs. But if his labour were conceived of as a special labour, alongside and apart from that of the workers, perhaps as the labour of SUPERINTENDENCE, etc., then he would receive like them a definite wage, therefore he would fall into their category, and his relationship to labour would not at all be that of a capitalist; neither would he ever enrich himself, he would only receive an exchange value which he would have to consume through circulation.

The existence of capital as against labour requires that capital in its being-for-itself, the capitalist as *not-worker*, should be able to exist and live. On the other hand, it is equally clear that capital, even from the standpoint of [III-20] its ordinary economic characteristics, if it could only preserve its *value* would *not* in fact do so. *The risks of production must be compensated for*. Capital must preserve itself in the fluctuations of prices. The depreciation of capital which goes on constantly through rising productivity must be compensated for, etc. Therefore the economists flatly assert that if no proceeds, no profit, resulted from the process of production, every capitalist would consume his money instead of throwing it into production and employing it as capital. In short, if this *non-valorisation*, i.e. non-multiplication of the value of capital is presupposed, it is presupposed that capital is not a real element of production, not a *particular relation of production*; a condition is presupposed in which the production costs do not have the form of capital, and capital is not posited as a condition of production.

It is easy to understand how labour can augment use value; the difficulty lies in understanding how it can create higher exchange values than those with which it began.

^a Overhead costs of production.—*Ed.*

Suppose the exchange value which capital pays to the worker were an exact equivalent for the value which labour produces in the process of production. In this case, an increase in the exchange value of the product would be impossible. What labour as such would have brought into the process of production over and above the original value of the raw material and instrument of labour would be paid to the worker. The value of the product itself, in so far as it is a surplus over and above the value of the raw material and instrument, would go to the worker; only the capitalist pays this value to the worker in wages and the worker gives it back to the capitalist in the product.

//The fact that the term *production costs* does not mean the sum of values entering production—even by the economists who assert that it does—is clearly illustrated by interest on borrowed capital. For the industrial capitalist this belongs directly to his outgoings, to his *real* production costs. But the very existence of interest already implies that capital emerges from production as surplus value, since interest is itself only *one form* of this surplus value. Therefore, since interest constitutes for the borrower already a part of his *direct production costs*, it is apparent that capital as such enters into the production costs, but capital as such is not a mere addition of its value components.

In interest, capital itself reappears in the character of a *commodity*, but as a commodity *specifically* distinct from all other commodities; *capital as such*—not as a simple sum of exchange values—enters into circulation and becomes *commodity*. Here the character of the commodity itself is present as *economic, specific* determination, not indifferent as in simple circulation, nor directly related to labour as its [capital's] opposite, as its use value, as in industrial capital; that is, in capital as it is in its more immediate determinations resulting from production and circulation. The commodity as capital or capital as *commodity* is not, therefore, exchanged in circulation for an equivalent. By entering into circulation, it *maintains its being-for-itself*; it therefore maintains its original relation to its owner even when it passes into the possession of another. It is therefore merely *loaned*. Its use value as such for its owner is its *valorisation*, money as money, not as means of circulation; its *use value as capital*.

The demand put forward by Mr. Proudhon that capital should not be loaned and bear interest, but should be sold as a commodity for its equivalent, like every other commodity,^a is

^a *Gratuité du crédit. Discussion entre M. Fr. Bastiat et M. Proudhon*, pp. 65-74.—Ed.

nothing but the demand that exchange value should never become capital but remain mere exchange value, i.e. that *capital should not exist as capital*.⁹⁷ This demand, together with the other one, namely that wage labour should remain the general basis of production, displays a delightful confusion about the simplest economic concepts. Hence the miserable role which he played in the polemic with Bastiat, about which later.^a His chatter about considerations of fairness and justice only amounts to this: he wants to apply the property or legal relationships corresponding to simple exchange, as a standard for the property and legal relationships of a higher stage of exchange value. Therefore Bastiat himself, unconsciously, re-emphasises the moments in simple circulation which tend to give rise to capital.

Capital itself as commodity is *money as capital* or *capital as money* //

//The third moment to be developed in the formation of the concept of capital, is *primitive accumulation* as against labour, therefore also objectless labour as against accumulation.

The *first moment* took its point of departure from value, as emerging from circulation and presupposing it. It was the *simple concept* of capital: money on the direct path to becoming capital. The *second moment* proceeded from capital as the premiss of production and the result of it. The *third moment* posits capital as a *specific unity* of circulation and production.

It must be distinguished from the accumulation [III-21] of capitals; this presupposes capitals, presumes the relationship of capital as *present*, and therefore also implies its relations to labour, prices (*capital fixe* and *circulant*), interest and profit. But capital, in order to become capital, presupposes a certain accumulation which is already contained in the independent antithesis of objectified labour to living labour; in the independent existence of this antithesis. This accumulation, which is necessary for the genesis of capital, and is therefore already contained in its concept as premiss—as a moment—is to be distinguished essentially from the accumulation of capital which has already become capital, where *capitals* must already be available. //

//We have already seen so far^b that capital presupposes: (1) the process of production in general, as it is common to all social

^a Cf. Appendix to Chapters on Money and Capital in the 1857-58 manuscript, present edition, Vol. 29.—Ed.

^b See this volume, pp. 167-68, 186-87 and 189-95.—Ed.

conditions, that is without historical character, *human* IF YOU PLEASE; (2) *circulation*, which is already a specific *historical* product in each of its moments, and still more in its totality; (3) *capital* as the *specific* unity of both.

Now, how far the general process of production is itself modified historically, as soon as it appears only as an element of capital, must emerge in the course of its analysis; just as capital's historical premisses in general must emerge from the simple conception of its distinctive characteristics.//

//Everything else is empty chatter. Which determinations belong to the first section, *On Production in General*, and in the first part of the second section, *On Exchange Value in General*, can only emerge at the end of and as a result of the whole analysis. For example, we have already seen^a that the distinction between use value and exchange value belongs within political economy itself, and use value should not be passed over in silence as a simple premiss as in Ricardo. The chapter on production ends objectively with the product as result; that on circulation begins with the *commodity*, which is itself *use value* and *exchange value* (therefore also *value* distinct from both), circulation as the unity of both—which, however, is only formal, and therefore collapses in the commodity as mere object of consumption, extra-economic, and in exchange value as money become independent.//

The *surplus value of capital at the end of the production process*—a surplus value which is realised in the higher price of the product only in circulation, but realised in it as all prices are, by already being *presupposed* to it in thought, laid down, before they enter into it—signifies, if expressed according to the general concept of exchange value, that the labour time objectified in the product—or the quantity of labour (expressed in terms of rest, the magnitude of labour appears as a spatial quantity, but expressed in terms of motion it is measurable only by time)—is greater than that present in the original components of capital. Now this is possible only if the labour objectified in the price of labour is less than the living labour time which has been bought with it.

The labour time objectified in capital appears, as we have seen,

as a sum made up of three parts: (a) the labour time objectified in the raw material; (b) the labour time objectified in the instrument; (c) the labour time objectified in the price of labour. Now, parts (a) and (b) remain unchanged as components of capital; even if they alter their form in the process, their physical modes of being, they remain unchanged as values. It is only (c) which capital exchanges for something qualitatively different: a given quantity of objectified labour for a quantity of living labour. If the living labour time were to reproduce only the labour time objectified in the price of labour, this exchange would also be purely formal, and in general with respect to value, there would only have been an exchange for living labour as another form of being of the same value, just as with respect to the value of the material and instrument of labour, only a change in its physical form of being has occurred. If the capitalist has paid the worker a price=one day's labour and the day's labour of the worker adds only one day's labour to the raw material and instrument, the capitalist would simply have exchanged exchange value in one form for exchange value in another. He would not have acted as capital. On the other hand, the worker would not have remained in the simple process of exchange: he would in fact have received the product of his labour in payment, except that the capitalist would have done him the favour of paying him the price of the product in advance before its realisation. The capitalist would have given him credit and gratis at that, *pour le roi de Prusse*.^a *Voilà tout*.^b

The exchange between capital and labour, the result of which is the price of labour, even though for the worker it is a simple exchange, must for the capitalist be not-exchange. He must receive more value than he has given. From the point of view of capital, the exchange must be merely *apparent*, i.e. an economic category other than exchange, or else capital as capital and labour as labour in antithesis to it would be impossible. They would exchange for each other only as equal exchange values, which exist physically in different forms of being.

In order to vindicate capital, to defend it, the economists therefore take refuge in this simple [III-22] process; they explain capital by the very process which makes impossible its existence. In order to demonstrate it, they demonstrate it away. You pay me for my labour, exchange it for its own product, and deduct the value

^a See this volume, pp. 197-98.—*Ed.*

^a For the King of Prussia, i.e. for nothing.—*Ed.*

^b That's all.—*Ed.*

of the raw and other materials with which you have supplied me. That is to say, we are *associates* who bring different elements into the production process and exchange them according to their value. Thus the product is turned into money, and the money is divided up in such a way that you, the capitalist, obtain the price of your raw material and instrument, and I, the worker, get the price which labour has added to them. The benefit for you is that you now possess the raw material and the instrument in a consumable form; for me, that my labour has been valorised. Of course, you would soon be in the position of having consumed your capital in the form of money, while I as worker would get possession of both.

What the worker exchanges for capital is his labour itself (in the exchange, the right of disposing over it); he *alienates* it. What he receives as price is the *value* of this alienation. He exchanges the value-positing activity for a predetermined value, regardless of the result of his activity.

///Mr. Bastiat displays immense wisdom when he claims that the *wage* is an inessential, merely outward form; a form of association which *as such* has nothing to do with the economic relation of labour and capital.^a If the workers were so well off, he says, as to be able to wait for the completion and sale of the product, the wage system, wage labour, would not hinder them from concluding a contract with the capitalist just as advantageous as that which one capitalist makes with another. Therefore the evil does not lie in the form of the wage system but in conditions independent of it. It does not occur to him, of course, that these conditions themselves are the *conditions of the wage system*. If the workers were also capitalists, they would in fact be related to non-labouring capital as labouring capitalists, not as labouring workers, i.e. not in the form of wage workers. Hence for Bastiat wages and profit are *essentially* the same as *profit* and *interest*. He calls this the *harmony of economic relationships*, meaning that economic relationships only *seem* to exist, while in essence, only one relationship exists—that of simple exchange. Hence the *essential* forms appear to him as in themselves *without content*, i.e. not as real forms.///

Now, how is the worker's value determined? By the objectified labour contained in his commodity. This commodity exists in his

vitality. In order to maintain it from day to day (we are not yet dealing with the working class, i.e. not with compensation for WEAR and TEAR by which it can maintain itself as a class, since here the worker faces capital as *worker*, as the presupposed perennial subject in antithesis to capital, not yet as a transient individual of the type "worker") he must consume a certain quantity of provisions, replace the consumed blood, etc. He receives only an equivalent. Hence tomorrow, after the conclusion of the exchange—and it is only after he has formally concluded the exchange that he carries it out in the process of production—his labour capacity will exist in the same way as before; he has received an exact equivalent, as the price he has received leaves him in possession of the same exchange value as he had before. Capital has paid him the quantity of objectified labour contained in his vitality. He has consumed it, and since it did not exist as a thing but as a capacity in a living being, he can renew the exchange in view of the *specific* nature of his commodity—the specific nature of the life process. Since we are not dealing here with *specially* skilled labour, but with labour pure and simple, we are not yet concerned with the fact that in addition to the labour time objectified in his vitality—i.e. to the labour time necessary to pay for the products required for the maintenance of his vitality—more labour is objectified in his immediate being, namely the values he has consumed in order to produce a specific *labour capacity*, a particular *skill*, the value of which is given by the costs of production of a similar specific skill.

If a whole working day were required in order to keep a worker alive for a working day, capital would not exist, because one working day would exchange for its own product. As a result, capital could not valorise itself as capital and thus could not preserve itself. The self-preservation of capital is its self-valorisation. If capital had to work in order to live, it would not preserve itself as capital but as labour. The ownership of raw materials and the instruments of labour would be purely *nominal*; [III-23] economically, they would belong just as much to the worker as to the capitalist, since they would produce *value* for the capitalist only in so far as he was himself a worker. He would therefore not treat them as capital but as mere physical matter and means of labour, just as the worker himself does in the process of production.

If, on the contrary, e.g. only half a working day is needed to keep a worker alive for a whole working day, a surplus value of the product is the automatic result, because the capitalist has paid

^a See this volume, pp. 11-16 and 180-82.—*Ed.*

in the price [of labour] only half a working day and he has received a whole working day objectified in the product; therefore has exchanged *nothing* for the second half of the working day. It is not exchange but a process in which he obtains without exchange *objectified labour time*, i.e. *value*, which alone can make him into a capitalist. Half the working day costs capital *nothing*; it therefore receives a value for which it has given no equivalent. And the augmentation of values can occur only because a value over and above the equivalent is obtained, hence *created*.

Speaking generally, surplus value is value over and above the equivalent. The equivalent, by definition, is only the identity of value with itself. Surplus value can never, therefore, spring from the equivalent; nor, therefore, can it spring originally from circulation. It must spring from the process of production of capital itself. The matter can also be expressed thus: if the worker requires only half a working day to live for a whole day, he needs to work only half a day to eke out his existence as a worker. The second half of the working day is forced labour; surplus labour.⁹⁸ What appears on the side of capital as surplus value, appears on the worker's side precisely as surplus labour over and above his requirements as worker, hence over and above his immediate requirements to sustain his vitality.

The great historical aspect of capital is the *creation* of this *surplus labour*, superfluous from the point of view of mere use value, of mere subsistence, and its historical mission is fulfilled when, on the one hand, needs are developed to the point where surplus labour beyond what is necessary has itself become a general need and arises from the individual needs themselves; and on the other, when, by the strict discipline of capital to which successive generations have been subjected, general industriousness has been developed as the universal asset of the new generation; and, lastly, when the productive forces of labour, constantly whipped on by capital in its unbounded lust for enrichment, and in the conditions in which alone it can satisfy this lust, have been developed to the stage where the possession and preservation of general wealth requires from the whole of society only comparatively little labour time on the one hand, and on the other labouring society takes a scientific attitude towards the process of its continuing reproduction, its reproduction in ever greater abundance; so that labour in which man does what he can make things do for him has ceased.

Accordingly, capital and labour relate to each other here like money and commodity: if the one is the general form of wealth,

the other is merely the substance seeking immediate consumption. As the ceaseless striving for the general form of wealth, however, capital forces labour beyond the limits of natural need and thus creates the material elements for the development of the rich individuality, which is as varied and comprehensive in its production as it is in its consumption, and whose labour therefore no longer appears as labour but as the full development of activity itself, in which natural necessity has disappeared in its immediate form; because natural need has been replaced by historically produced need. This is why *capital is productive*, i.e. an *essential relationship for the development of the productive forces of society*. It ceases to be such only where the development of these productive forces themselves encounters a barrier in capital itself.

The Times of November [21,] 1857 contains a most endearing scream of rage from a West Indian planter.^a With great moral indignation this advocate—by way of plea for the reintroduction of Negro slavery—explains how the *Quashees* (the free blacks of Jamaica) content themselves to produce only what is strictly necessary for their own consumption and apart from this “use value”, regard loafing itself (INDULGENCE and IDLENESS) as the real luxury article; how they don't give a damn about sugar and the fixed capital invested in the PLANTATIONS, but rather react with malicious pleasure and sardonic smiles when a planter goes to ruin, and even exploit their acquired Christianity as a cover for this sardonic mood and indolence.

They have ceased to be slaves, not in order to become wage workers, but SELF-SUSTAINING PEASANTS, working for their own meagre consumption. Capital as capital does not exist for them, because wealth made independent in general exists *only* either through *direct* forced labour, slavery, or through *mediated* forced labour, *wage labour*. Wealth confronts direct forced labour not as capital but as *relationship of domination*. On the basis of direct forced labour, therefore, only the relationship of domination is reproduced, for which wealth itself has value only as gratification, not as wealth as such, and which [III-24] can therefore never create *general industriousness*. (We shall come back later to this relationship between slavery and wage labour.)

The difficulty in grasping the genesis of [surplus] value is illustrated by (1) the modern English economists, who accuse

^a “Negroes and the Slave Trade. To the Editor of *The Times*”, *The Times*, No. 22844, 21 November 1857.—*Ed.*

Ricardo of failing to understand surplus [the excess of the value produced over the production costs], *surplus value*⁹⁹ (see *Malthus on value*,¹⁰⁰ who at least tries to proceed scientifically^a), yet of all economists, Ricardo alone has grasped it, as his polemic against A. Smith's confusion of the determination of value by wages and by the labour time objectified in the commodity shows.^b

The new economists are nothing but shallow simpletons. True, Ricardo himself often gets into confusion, because, although he understands the emergence of surplus value as the prerequisite of capital, he often falters in the attempt to understand on this basis^c the multiplication of values except by the investment of *more objectified labour time* in the same product, in other words only by production becoming *more difficult*. Hence the absolute contradiction between *value* and *wealth* in his theory.^d Hence the one-sidedness of his theory of rent; his false theory of international trade, which is supposed to produce only use value (which he calls wealth), not exchange value.^e The only remaining path leading to the multiplication of values as such, other than the *growing difficulty of production* (theory of rent), is the increase in *population* (the natural increase in the number of workers through the growth of capital), although he himself has nowhere coherently analysed this relation. His fundamental error, that he nowhere examines what actually gives rise to the distinction between the determination of value by wages and its determination by objectified labour. Money and exchange itself (circulation) thus appear only as a purely formal element in his political economy; and although political economy according to him deals *only* with exchange value, profit, etc., appear *only* as a percentage share of the product, which is equally the case on the basis of slavery. He nowhere investigates the form of the mediation.

(2) *The Physiocrats*. Here the difficulty of understanding capital, the self-valorisation of value, hence the surplus value which capital creates in the act of production, stands out palpably, as it was bound to do with the fathers of modern political economy, just as at its ultimate classical conclusion with Ricardo, who [...] the creation of surplus value in the form of rent...^f

^a Th. R. Malthus, *The Measure of Value Stated and Illustrated*.—Ed.

^b See D. Ricardo, *On the Principles of Political Economy, and Taxation*, pp. 1-12.—Ed.

^c On that of the labour theory of value.—Ed.

^d D. Ricardo, op. cit., pp. 60-61, 131-32.—Ed.

^e Ibid., pp. 320-37.—Ed.

^f The sentence is unfinished in the manuscript.—Ed.

It is *au fond* the question of the concept of capital and wage labour, and hence the fundamental question which arises at the threshold of the system of modern society. The money system grasped the independence of value only in the form in which it emerges from simple circulation—as *money*; the monetarists therefore made this *abstract form* of wealth into the exclusive target of the nations, which were just then entering the period when *enrichment as such* appeared as the aim of society itself.

Then came the *mercantile system*, coinciding with the epoch in which industrial capital and therefore wage labour appeared in manufacture and developed in opposition to and at the cost of non-industrial wealth, feudal landed property. The mercantilists already dimly conceived money as capital, but really again only in the form of money, of the circulation of *merchant capital*, of capital *turning itself into money*. Industrial capital had for them a value, indeed the highest value—as means, not as wealth itself in its productive process—because it created merchant capital and this became money in the process of circulation. Manufacturing labour—i.e. *au fond* industrial labour. But agricultural labour, on the other hand, was and appeared to them as mainly productive of use value; raw produce processed is more valuable, because in this clear form, a form more suitable for circulation, for *COMMERCE*, a mercantile form, it produces more money (in this context, the historically evolved view of the wealth of non-agricultural nations, notably Holland, in contrast to the agricultural, feudal ones; agriculture did not appear at all in industrial but in feudal form, therefore as source of feudal, not bourgeois, wealth). One form of wage labour, industrial wage labour, and one form of capital, industrial capital, were thus recognised as a source of wealth, but only in so far as they created money. Exchange value itself was therefore not yet conceived of in the form of capital.

Now the *Physiocrats*. They distinguish capital from money and conceive it in its general form as exchange value made independent, preserving itself in and augmented by production. Hence they also consider the relation for itself, not as itself a moment of simple circulation but rather as its premiss, and as it continually reproduces itself in circulation as its premiss. The Physiocrats are therefore the fathers of modern political economy.¹⁰¹

They also understand that the positing of surplus value by wage labour is the self-valorisation of capital, i.e. its realisation. But how is surplus value created through capital, i.e. through existing values, by means of labour? Here they disregard the form altogether and consider only the simple process of production.

Hence only such labour can be productive which is carried on in a field where the natural power of the instrument of labour palpably allows the worker to produce more values than he consumes. Surplus value thus originates not from labour as such, but from the natural power used and directed by labour—[III-25] i.e. agriculture. Agricultural labour is thus the only *productive labour*, for this much the Physiocrats understand that *only labour which creates surplus value is productive*. (That surplus value must express itself in the form of a material product, is a primitive view still to be encountered in A. Smith.^a Actors are productive workers, not by virtue of the fact that they produce plays, but in so far as they INCREASE THEIR EMPLOYER'S WEALTH. But what sort of labour is performed, in what form labour is materialised, is a matter of absolute indifference for *this relationship*. On the other hand, it is not indifferent from later points of view.) But this surplus value is imperceptibly transformed into a greater quantum of use value arising from production than that which was consumed in it. This multiplication of use values, the excess of the product above the component part of it which must be used for new production—of which a part can therefore be unproductively consumed, appears palpably only in the relationship of the natural seed to its product. Only a part of the harvest has to be directly returned to the soil as seed. In products themselves occurring naturally, in the elements, in air, water, soil, light, and in substances supplied through manure and otherwise, the seeds then reproduce that part in a multiplied quantity as grain, etc. In short, human labour has only to guide the chemical exchange of matter (in agriculture), partly also to promote it mechanically or to promote the reproduction of life itself (stock-raising) to obtain a surplus, i.e. to convert these same natural substances from a useless into a valuable form. The true form of general wealth is therefore the surplus of the products of the soil (grain, cattle, raw materials). From the economic viewpoint, therefore, only *rent* is a form of wealth. This is why the first prophets of capital recognise only the non-capitalist, the *feudal landowner* as the representative of *bourgeois* wealth. But then the consequence, the levying of all taxes on rent, is entirely to the advantage of bourgeois capital. The theory accords a bourgeois accolade to feudalism in principle—which misled many a feudal gentleman, like the elder Mirabeau—only in order to ruin it in the practical application.

^a A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. II, London, 1836. p. 356.—*Ed.*

All other values represent only raw material+labour; labour itself represents grain or other products of the soil which the worker consumes. Therefore the factory worker, etc., adds to the raw material no more than he consumes in raw materials. Neither he, by his labour, nor his employer, therefore, add anything to wealth—for wealth is the surplus above the commodities consumed in production—but only impart to it agreeable forms useful for consumption.

At that time the utilisation of the powers of nature in industry had not been developed, nor had the division of labour, etc., which increases the natural power of labour itself. But by Adam Smith's time this was the case. For him, therefore, labour in general is the source of value, as it is the source of wealth. But actually even labour posits surplus value only in so far as in the division of labour the surplus appears likewise as a gift of nature, as the natural power of society, just as with the Physiocrats it appeared as a gift of the soil. Hence the importance A. Smith attaches to the division of labour.

On the other hand, *capital* appears to him originally not as containing within itself the moment of wage labour, antagonistically, but as it emerges from circulation, as money, and hence as it is created out of circulation through *saving*.^a Initially, therefore, capital does not valorise itself—precisely because the appropriation of another's labour has not been assimilated into its concept. It appears only *subsequently*, after it has already been presupposed as *capital—mauvais cercle*^b—as *command over alien labour*. Thus labour should really receive its own product as wage according to A. Smith, the wage should be=to the product, therefore labour should not be wage labour, and capital not capital. Therefore, in order to introduce profit and rent as original elements of the production costs, i.e. to make a surplus value result from the process of production of capital, he presupposes them in the crudest form. The capitalist does not want his capital to be used for nothing; similarly, the landowner does not want to make his land available for production for nothing. They demand something in return. In this way, they and their demands are brought

^a Here Marx inserted the following passage in brackets: "For, although he conceives of labour as creating value and itself being use value, productivity existing for itself, *human* natural power in general (this distinguishes him from the Physiocrats), he does not conceive of it as wage labour, not in its *specifically* determined form in opposition to capital".—*Ed.*

^b Vicious circle.—*Ed.*

in as historical *FACTS*, not explained. Wages are really the *only economically* justified, because necessary, element of the production costs. Profit and rent are merely *deductions* from wages, arbitrarily enforced in the historical process by capital and landed property, and *legally*, not economically, justified.

But since on the other hand Smith opposes to labour the means and materials of production in the form of landed property and capital as independent elements, he has virtually posited labour as wage labour. Hence contradictions. Hence his vacillations in the determination of value; his placing of profit and rent at the same level; his false [III-26] views on the influence of wages upon prices, etc.

Now *Ricardo* (see 1^a). He again understands wage labour and capital as a natural, not specific historical, social form of the production of wealth as use value, i.e. its form as such, precisely because it is conceived of as natural, is *indifferent*, and is not conceived in its *specific* relation to the form of wealth, just as wealth itself, in its form as exchange value, appears as a purely formal mediation of its physical existence. Therefore he does not understand the specific character of bourgeois wealth—just because it appears [to him] as the adequate form of wealth in general. Although his point of departure is *exchange value*, the *specific economic forms of exchange* themselves play *economically* no role at all in his political economy. Instead he only speaks about the distribution of the general product of labour and the soil among the three classes, as though wealth based on *exchange value* were only a matter of *use value*, and as though exchange value were only a ceremonial form, which in Ricardo disappears in quite the same manner as does money as means of circulation in exchange. To bring out the true laws of political economy, he therefore likes to refer also to this relation of money as a merely formal one. Therefore also his weaknesses in the basic theory of money proper.

The exact development of the concept of capital necessary, because it is the basic concept of modern political economy, just as capital itself, of which it is the abstract reflected image, is the basis of bourgeois society. The clear understanding of the basic premiss of the [capitalist] relationship must reveal all the contradictions of bourgeois production, as well as the limits at which this relationship outgrows itself.

^a See this volume, pp. 251-52.—*Ed.*

///It is important to note that wealth as such, i.e. bourgeois wealth, is always expressed to the highest power in exchange value, where it is posited as *mediator*, as mediation between the extremes of exchange value and use value themselves. This middle term always appears as the completed *economic* relation, because it comprises the opposites, and always ultimately appears as a higher power than the extremes themselves, but in a one-sided way; because the movement or the relationship which *originally* appears as mediating between the extremes, must dialectically come to appear as mediation with it itself, as the subject of which the extremes are merely the elements. It transcends their autonomous premisses, and by doing so posits itself as that which alone is autonomous. An example in the religious sphere is Christ the mediator between God and man—mere instrument of circulation between them—becomes their unity, God-man, and as such becomes more important than God; the saints more important than Christ; the priests more important than the saints.

The total economic expression, itself one-sided as against the extremes, is always exchange value, where it is posited as middle link; e.g. money in simple circulation; capital itself as mediator between production and circulation. Within capital itself, one of its forms resumes the position of use value as against the other form as exchange value. Industrial capital, for example, appears as producer in relation to the merchant, who appears as circulation. So the former represents the physical aspect, and the latter the formal aspect, hence wealth as wealth. At the same time, merchant capital itself, in turn, mediates between production (industrial capital) and circulation (the consuming public) or between exchange value and use value, where both sides are posited alternately, production as money, circulation as use value (consuming public), or the first as use value (product) and the second as exchange value (money).

Likewise within trade itself: the wholesaler as mediator between manufacturer and retailer, or between manufacturer and farmer, or between different manufacturers, represents this same higher middle link. And again, the commodity brokers in relation to the wholesaler. Then the banker in relation to the industrialists and merchants; the joint-stock company in relation to simple production; the financier as mediator between the State and bourgeois society at the highest level.

Wealth as such represents itself the more distinctly and broadly the further it is removed from immediate production and itself mediates between aspects each of which, considered by itself, is

already posited as a characteristic economic form. [This is due to the fact] that^a money turns from means into an end, and the higher form of mediation as capital itself posits everywhere the lower form as labour, as merely source of surplus value. For example, the BILL-BROKER, banker, etc., in relation to the manufacturers and FARMERS, who for him are posited in the determination of labour (of use value), while he posits himself in relation to them as capital, production of surplus value; in the most extravagant form in the FINANCIER. //

Capital is the *immediate unity* of product and money, or, better, of production and circulation. So it is in turn itself something *immediate*, and its development consists in positing and transcending itself as this unity, which is posited as a specific and therefore simple relation. The unity initially appears in capital as something *simple*.

[III-27] // Ricardo's reasoning is simply this:

Products are exchanged for each other—hence capital for capital—in the ratio of the quanta of objectified labour contained in them. A day's labour always exchanges for a day's labour. This is the assumption. Exchange itself can therefore be ignored altogether. The product—capital posited as product—is *in itself* exchange value, to which the act of exchange merely adds form, in Ricardo, formal form.

The only question now is: in what *ratios* the product is to be shared. These *ratios* are the same, whether they are regarded as specific quotas of the presupposed exchange value or of its content, material wealth. Indeed, since exchange as such is mere circulation—money as circulation—it is better to abstract from it altogether, and to consider only the proportions of material wealth which are distributed to the various agents within the process of production or as the result of that process. In the form of *exchange*, all value, etc., is purely *nominal*; it is real only in the form of the *ratio*. The entire exchange, in so far as it does not produce a greater *material variety*, is *nominal*. Since a whole day's labour is always exchanged for a whole day's labour, the sum of *values* remains the same—the growth of the productive forces affects only the content of wealth, not its form. Augmentation of value can therefore originate only in increased difficulty of production—and this can only occur in agriculture where the natural power of equal quantities of human labour no longer

^a In the manuscript the sentence begins with the conjunction *dass* (that).—Ed.

renders the same service, therefore the fertility of the natural elements declines. The fall of profits is therefore caused by rent.

Firstly the false assumption that a *whole day's labour* is always worked in all conditions of society; etc., etc. (see above^a). //

We have seen^b: the worker needs to work for only (e.g.) half a working day to live a whole day, and thus be able to begin the same process on the following day. In his labour capacity—so far as it exists in him as a *living being*, or in him as a *living instrument* of labour—only half a working day is objectified. One whole living day (day of life) of the worker is the static result, the objectification of half a working day. The capitalist, by appropriating the whole working day in exchange for the labour objectified in the worker, i.e. in exchange for half a working day, and then consuming it in the production process by applying it to the materials of which his capital consists, in this way creates the surplus value of his capital—in the case assumed here, half a day of objectified labour.

Let us now assume that the productivity of labour doubles, i.e. a given amount of labour produces twice as much *use value* in the same time. (In the relation we are discussing here, use value is defined for the time being as that which the worker consumes to keep alive as a worker; the quantum of provisions for which, through the mediation of money, he exchanges the labour objectified in his living labour capacity.) The worker would then have to work for only $\frac{1}{4}$ of a day to live a whole day; the capitalist then has to give only $\frac{1}{4}$ of a day's objectified labour in exchange to the worker to increase his surplus value in the process of production from $\frac{1}{2}$ to $\frac{3}{4}$; because he would gain, instead of $\frac{1}{2}$ day's objectified labour, $\frac{3}{4}$ of a day of it. The value of the capital, as it emerges from the process of production, would have increased by $\frac{3}{4}$ instead of by $\frac{2}{4}$.^c The capitalist thus would need to require only $\frac{3}{4}$ of a day's work to add to his capital the same surplus value— $\frac{1}{2}$ or $\frac{2}{4}$ of objectified labour.

But since capital represents the general form of wealth—money—it has a boundless and measureless urge to exceed its own limits. Every boundary is and must be a barrier for it. Otherwise it would cease to be capital, money reproducing itself. If a particular boundary were not to be a barrier for it, but one to which it could

^a See this volume, p. 252.—Ed.

^b See this volume, pp. 249-50.—Ed.

^c Marx abstracts from the value of the constant capital.—Ed.

confine itself without difficulty, capital would itself have declined from exchange value to use value, from the general form of wealth to a particular substance of it. Capital as such creates a particular surplus value, because it cannot create an infinite one AT ONCE; but it is the constant drive to create more of it. The quantitative border to surplus value appears to it only as a natural barrier, as a necessity, which it constantly tries to overcome and beyond which it constantly tries to go.

//The limitation appears as an accidental phenomenon which must be overcome. This is obvious even on the most superficial examination. If capital grows from 100 to 1,000, then 1,000 becomes the new point of departure from which further expansion must proceed; the ten-fold increase, by 1,000%, counts for nothing; profit and interest, in turn, become capital. *What appeared as surplus value now appears as a simple premiss*, etc., as comprised in the *simple composition* [of capital] *itself* //

Hence (quite apart from the factors entering in later, competition, prices, etc.) the capitalist will not make the worker work only $\frac{3}{4}$ of a day, because $\frac{3}{4}$ of a day creates *the same surplus value* as did a whole day previously, he will make him work the full day; and the increased productive power, which enables the worker to live for a whole day on the basis of $\frac{1}{4}$ of a working day, now expresses itself simply in the fact that he must now work $\frac{3}{4}$ of a day [III-28] for capital, whereas he previously worked for it only $\frac{2}{4}$ of a day. The increased productivity of his labour, in so far as it means shortening of the time necessary for the replacement of the labour objectified in him (for the use value, for the subsistence), appears as a lengthening of his labour time for the valorisation of capital (for the exchange value).

From the worker's point of view, he must now perform a surplus labour of $\frac{3}{4}$ of a day to live a full day, while previously he had only to perform a surplus labour of $\frac{2}{4}$ of a day. The increase, the doubling of his productive power has increased his surplus labour by $\frac{1}{4}$ [of a day]. One thing should be noted here: productivity has doubled, the surplus labour performed by the worker has not; it has grown by only $\frac{1}{4}$ [of a day]. Nor has the surplus value of capital doubled, it too has increased by only $\frac{1}{4}$ [of a day, i.e. by 50%]. This shows that surplus labour (from the worker's point of view) or surplus value (from the point of view of capital) does not grow in the same numerical proportion as does productivity. How does this come about?

The doubling of productivity is the reduction of necessary labour¹⁰² (for the worker) by $\frac{1}{4}$ [of a day]; hence also the

production of surplus value is [greater] by $\frac{1}{4}$, because the original ratio assumed was $\frac{1}{2}$. If the worker had to work, originally, $\frac{2}{3}$ of a day to live one full day, the surplus value (as well as the surplus labour) would have been $\frac{1}{3}$. A doubling of the productivity of labour would then have enabled the worker to reduce the amount of necessary labour to one-half of $\frac{2}{3}$, or $\frac{2}{3 \times 2}$, $\frac{2}{6}$ or $\frac{1}{3}$ of a day, and the capitalist would have gained $\frac{1}{3}$ of [a day's surplus] value. The total surplus labour would amount to $\frac{2}{3}$ [of a day]. The doubling of productivity, which in the first example resulted in an [extra] $\frac{1}{4}$ of a day's surplus value and surplus labour, would now result in an [extra] $\frac{1}{3}$ of a day's surplus value and surplus labour. The multiplier of productivity—the factor by which it is multiplied—is, therefore, [as a rule] not the multiplier of surplus labour or surplus value; if the original ratio of labour objectified in the price of labour was $\frac{1}{2}$ of the labour objectified in one day's labour—and a day is always the limit^a—then the doubling of productivity is tantamount to the division of $\frac{1}{2}$ (the original ratio) by 2, or $\frac{1}{4}$. If the original ratio was $\frac{2}{3}$, then the doubling is tantamount to the division of $\frac{2}{3}$ by $2 = \frac{2}{6}$ or $\frac{1}{3}$.

The multiplier of productivity is thus never the multiplier but always the divisor of the original ratio, not the multiplier of its numerator but of its denominator. If the former were the case, the multiplication of productivity would result in a corresponding multiplication of surplus value. But the [growth of] surplus value is always equal to a division of the original ratio by the multiplier of productivity. If the original ratio was $\frac{8}{9}$, i.e. the worker needed $\frac{8}{9}$ of the working day to live, and capital therefore gained only $\frac{1}{9}$ of a day in the exchange with living labour, and surplus labour equalled $\frac{1}{9}$, then, if productivity were doubled, the worker could earn his subsistence in one-half of $\frac{8}{9}$ of the working day, i.e. with $\frac{8}{18} = \frac{4}{9}$ (it is the same whether we divide the numerator or multiply the denominator), and the capitalist, who orders a full day's work, would have a total surplus value of $\frac{5}{9}$ of the working day; subtract from that the original surplus value of $\frac{1}{9}$, and $\frac{4}{9}$ remains. The doubling of productivity in this case is thus tantamount to a growth of surplus value or surplus labour time by $\frac{4}{9}$.

This is simply because surplus value always depends on the ratio between the whole working day and that part of it which is

^a Here Marx inserted the following passage in brackets: "though the worthy manufacturers have extended it into the night. *Ten Hours' Bill*. See the report of Leonard Horner. The working day itself is not limited by the natural day; it can be extended *deep into the night*; this belongs in the Chapter on *Wages*".¹⁰³—Ed.

necessary for the worker to keep himself alive. The unit by which surplus value is calculated is always a fraction, i.e. the particular part of a day which exactly represents the price of labour. If this fraction = $\frac{1}{2}$, the growth^a of [III-29] productivity = reduction of necessary labour to $\frac{1}{4}$; if it = $\frac{1}{3}$, necessary labour is reduced to $\frac{1}{6}$; hence in the first [case] the total surplus value = $\frac{3}{4}$, in the second = $\frac{5}{6}$. Relative surplus value,¹⁰⁴ i.e. [the increase] in relation to that previously obtained, in the first case = $\frac{1}{4}$, in the second = $\frac{1}{6}$.

The value of capital therefore does not grow in the same proportion as productivity grows, but in the proportion in which the increase of productivity, the multiplier of productivity, divides the fraction of the working day expressing the part of the day belonging to the worker. By how much [the growth of] the productivity of labour increases the value of capital thus depends on the original ratio of the part of labour which is objectified in the worker to his living labour. This part always expresses itself as a fraction of the whole working day, $\frac{1}{3}$, $\frac{2}{3}$, etc. The increase in productivity, i.e. its multiplication by a certain number, is tantamount to a division of the numerator, or a multiplication of the denominator of this fraction by the same number. How large or small the increase in the value of capital is, depends therefore not only on the number expressing the multiplication of productivity, but equally on the previously given proportion expressing the part of the working day pertaining to the price of labour. If that proportion is $\frac{1}{3}$, a doubling of the productivity of the working day means a reduction of the proportion to $\frac{1}{6}$; if the proportion is $\frac{2}{3}$, a reduction to $\frac{2}{6}$.

The objectified labour contained in the price of labour is always equal to a fraction of the whole working day; always arithmetically expressed by a fraction; always a numerical ratio, never a simple number. If productivity doubles, is multiplied by 2, the worker needs to work only $\frac{1}{2}$ the former time to cover the price of labour; but it depends on the initially given ratio, namely on the time he required before the increase in productivity, how much labour time he now still requires for this purpose. The multiplier of productivity is the divisor of the original fraction. [Surplus] value or surplus labour, therefore, does not grow in the same numerical proportion as does productivity. If the original ratio is $\frac{1}{2}$ and productivity doubles, the *necessary* labour time (for the worker) is accordingly reduced to $\frac{1}{4}$ [of the working day] and surplus value grows by only $\frac{1}{4}$ [of the working day]. If

^a Should be "doubling".—Ed.

productivity is multiplied four-fold, the original ratio changes to $\frac{1}{8}$ and [surplus] value grows by only $\frac{3}{8}$.

[Surplus] value can never be equal to the whole working day, i.e. a definite part of the working day must always be exchanged for the labour objectified in the worker. Altogether, surplus value is always determined by the ratio of living labour to that objectified in the worker; *this* [the latter] *part of the ratio must therefore always remain*. By the very fact that the ratio is constant as a ratio, although its factors vary, a definite correlation is already given between an increase in productivity and an increase in [surplus] value. On the one side, we thus see that the relative surplus value is exactly equal to the relative surplus labour. If the [necessary] working day was $\frac{1}{2}$ and productivity doubled, then the part of the working day belonging to the worker, *necessary labour*, is reduced to $\frac{1}{4}$ [of the working day] and the newly created [surplus] value is also exactly $\frac{1}{4}$; but total [surplus] value is now $\frac{3}{4}$. While surplus value has risen by $\frac{1}{4}$, i.e. in the ratio of 1:4, the total [surplus] value = $\frac{3}{4}$ of the working day, i.e. the ratio = 3:4.

If we now assume $\frac{1}{4}$ to have been the originally *necessary* working day, and a doubling of productivity to have occurred, then necessary labour is reduced to $\frac{1}{8}$, and [the increase in] surplus labour or surplus value exactly = $\frac{1}{8}$ = 1:8. On the other hand, total surplus value = 7:8. In the first example, total surplus value was originally = 1:2 ($\frac{1}{2}$) and then rose to 3:4; in the second case it was originally $\frac{3}{4}$ and has now risen to 7:8 ($\frac{7}{8}$). In the first case it grew from $\frac{1}{2}$ or $\frac{2}{4}$ to $\frac{3}{4}$; in the second, from $\frac{3}{4}$ or $\frac{6}{8}$ to $\frac{7}{8}$; in the first case by $\frac{1}{4}$, in the second by $\frac{1}{8}$; i.e. in the first case the increase was twice as big as in the second; [III-30] but in the first case total surplus value [after the doubling of productivity] is only $\frac{3}{4}$ or $\frac{6}{8}$, while in the second it is $\frac{7}{8}$, therefore $\frac{1}{8}$ more.

Let us assume the *necessary labour* to be $\frac{1}{16}$: then total surplus value = $\frac{15}{16}$ which is $\frac{3}{16}$ higher than in the previous case, where total surplus value was taken to be $\frac{6}{8}$ = $\frac{12}{16}$. Let us assume now a doubling of productivity: necessary labour now = $\frac{1}{32}$; previously it was = $\frac{2}{32}$ ($\frac{1}{16}$); therefore surplus [labour] time has risen by $\frac{1}{32}$, hence also surplus value. Let us consider total surplus value, which was $\frac{15}{16}$ or $\frac{30}{32}$; it is now $\frac{31}{32}$. As compared to the earlier relation (where *necessary labour* was $\frac{1}{4}$ or $\frac{8}{32}$), total surplus value is now $\frac{31}{32}$, while in the earlier example it was only $\frac{28}{32}$, so the difference equals $\frac{3}{32}$. But considered relatively, the increase in surplus value resulting from the doubling of productivity equalled in the former case $\frac{1}{8}$ or $\frac{4}{32}$, whereas now it equals only $\frac{1}{32}$, i.e. it is less by $\frac{3}{32}$.

If *necessary labour* had already been reduced to $\frac{1}{1,000}$, total

surplus value would be $\frac{999}{1,000}$. Now, if productivity increased a thousand-fold, *necessary labour* would decline to $\frac{1}{1,000,000}$ of a working day and total surplus value would amount to $\frac{999,999}{1,000,000}$ of a working day; while before this increase in productivity it amounted only to $\frac{999}{1,000}$ or $\frac{999,000}{1,000,000}$ of a working day; it would thus have grown by $\frac{999}{1,000,000} = \frac{1}{1,001}$ (with the addition of $\frac{1}{1,001 + \frac{1}{999}}$), i.e. the thousand-fold increase in productivity would not have raised total surplus [value] by even $\frac{1}{1,001}$, i.e. not even by $\frac{3}{3,003}$, while in the previous case surplus value rose by $\frac{1}{32}$ as a result of a mere doubling in productivity. If *necessary labour* declines from $\frac{1}{1,000}$ to $\frac{1}{1,000,000}$, it declines by exactly $\frac{999}{1,000,000}$ (for $\frac{1}{1,000} = \frac{1,000}{1,000,000}$), i.e., by as much as surplus value rose.

If we summarise all this, we find:

Firstly: The increase in the productivity of living labour increases the *value* of capital (or diminishes the value of the worker), not because it increases the quantity of products or use values produced with a given amount of labour—productivity of labour is its natural power—but because it reduces *necessary labour* and thus in the same proportion creates *surplus labour*, or, what amounts to the same thing, surplus value; because the surplus value of capital, which it obtains by means of the process of production, consists solely in the excess of surplus labour over *necessary labour*. The increase in productivity can only increase surplus labour, i.e., the excess of labour objectified in capital as a product over that objectified in the exchange value of the working day, in so far as it reduces the ratio of *necessary labour* to *surplus labour*, and only in the proportion to which it reduces this ratio. Surplus value is exactly equal to surplus labour; its increase is measured exactly by the reduction of *necessary labour*.

Secondly: The surplus value of capital does not increase in the same way as the multiplier of productivity, i.e. by the number by which productivity (posited as a unity, as multiplicand) is increased; but by the surplus of the fraction of the living working day which originally represents *necessary labour* over and above the same fraction divided by the multiplier of productivity. Thus if *necessary labour* = $\frac{1}{4}$ of the living working day, and productivity doubles, the [surplus] value of capital does not double but [III-31] grows by $\frac{1}{8}$; which is equal to $\frac{1}{4}$ or $\frac{2}{8}$ (the original fraction of the working day which represents *necessary labour*)— $\frac{1}{4}$ divided by 2, or $= \frac{2}{8} - \frac{1}{8} = \frac{1}{8}$. (Value doubles, which can also be expressed thus: it grows $\frac{4}{2}$ -fold or $\frac{16}{8}$ -fold. If in the above example,¹⁰⁵ therefore,

productivity grew by $\frac{16}{8}$, profit^a would rise by only $\frac{1}{8}$. Its growth would relate to that of productivity as $\frac{1}{16}$.^b (THAT IS IT!) If the fraction was $\frac{1}{1,000}$ and productivity increased a thousand-fold, the value of capital would grow not a thousand-fold but by less than $\frac{1}{1,001}$; it would grow by $\frac{1}{1,000} - \frac{1}{1,000,000}$, i.e. by $\frac{1,000}{1,000,000} - \frac{1}{1,000,000} = \frac{999}{1,000,000}$.

The *absolute sum* by which capital increases its value because of a certain increase in productivity depends, therefore, on the *given fraction* of the working day, on the fractional part of the working day, which represents *necessary labour*, and which therefore expresses the original ratio of *necessary labour* to the living working day. The expansion of productivity in a given proportion, therefore, may increase the value of capital differently e.g. in the *different countries*. A general increase in productivity in the same proportion may increase the value of capital differently in different branches of industry, and will do so according to the different ratios of *necessary labour* to the living working day in these branches. This ratio would of course be the same in all branches of business in a system of free competition, if labour were in all cases simple labour, and hence *necessary labour* were the same. (If it represented the same amounts of objectified labour.)

Thirdly: The greater the surplus value of capital *before the increase in productivity*, i.e. the greater the quantum of surplus labour or surplus value of capital presupposed, or the smaller the fraction of the working day which constitutes the equivalent of the worker and expresses *necessary labour*, the smaller is the growth of surplus value accruing to capital from increased productivity. The surplus value of capital rises, but in an ever diminishing ratio to the development of productivity. Thus the more developed capital already is, the more surplus labour it has already created, the more tremendously must it develop productivity if it is to valorise itself, i.e. to add surplus value even in a small proportion—because its barrier always remains the ratio between that fractional part of the working day which expresses *necessary labour* and the whole working day. It can move only within these limits. The smaller the fractional part already which represents *necessary labour*, the greater the *surplus labour*, the less can any increase in productivity perceptibly diminish *necessary labour*; for the denominator [of the fraction] has grown enormously. The

^a This should read "surplus value".—Ed.

^b Instead of "... as $\frac{1}{16}$ " it should read "... as $\frac{16^2}{3:100}$ or 1:6".—Ed.

self-valorisation of capital becomes more difficult to the extent to which it is already valorised. The increase in productivity could become a matter of indifference to capital; its valorisation itself could cease to matter, because its proportions have become minimal; and it would have ceased to be capital.

If necessary labour were $\frac{1}{1,000}$ and productivity tripled, necessary labour would fall only to $\frac{1}{3,000}$ or surplus labour would have grown by only $\frac{2}{3,000}$. But this happens not because wages or the share of labour in the product have increased, but because they have *already* fallen so low, considered in relation to the product of labour or the living working day.

///The labour objectified in the worker here shows itself as a fractional part of *his own living working day*; for this is the same ratio as that between the objectified labour he receives from capital as his wage and the whole working day.///

(All these propositions correct in this degree of abstraction only for the relation at this particular stage of the analysis. Further relations will come in later which modify them significantly. All this, in so far as it does not [present] itself in the most general form, *really belongs in the doctrine of profit*.)

So much in general for the time being: the development of the productivity of labour—in the first place the positing of surplus labour—is a necessary condition for the growth of the value or the valorisation of capital. As an infinite drive for enrichment, capital strives for an infinite enlargement of the productive forces of labour and calls them into being. But on the other hand, every enlargement of the productivity of labour—apart from the fact that it increases use values for the capitalist—is an increase in the *productivity of capital* and is, from the present standpoint, only a productive force of labour in so far as it is a productive force of capital.^a

^a Here the following passage is crossed out in the manuscript: "If after the doubling of productivity and the resultant fall of *necessary labour*—which was $\frac{1}{2}$ —to $\frac{1}{4}$, and the consequent rise of the surplus labour at the disposal of the capitalist, from $\frac{2}{4}$ to $\frac{3}{4}$, capital only commanded $\frac{3}{4}$ of a day's labour, then, as Ricardo says,¹⁰⁶ the increase in productivity would not, in fact, increase values, the *value of capital*. It would remain the same; if originally it represented the $\frac{2}{4}$ of the working day objectified in capital that remained over and above the part of the working day belonging to the worker, it still would do so. The same [III-32] surplus of objectified labour would have been created. But as we have seen, it lies in the nature of capital to consume the whole surplus labour at its disposal, for it is the creation of surplus labour that is its concept."—*Ed.*

[ABSOLUTE AND RELATIVE SURPLUS VALUE]

[III-32] This much is already clear and can at least be mentioned in anticipation: the increase in productivity does not in and by itself raise prices.^a For example, the bushel of wheat. If half a working day were objectified in a bushel of wheat, and this was the price of the worker, the surplus labour can only produce 1 bushel of wheat. 2 bushels of wheat therefore the value of one working day and, if this in money=26s., then 2 bushels of wheat=26s. The bushel=13s.

If productivity now doubles, the bushel of wheat now only= $\frac{1}{4}$ of a working day;=6 $\frac{1}{2}$ s. The price of this fractional part of the commodity has fallen because of the [doubling of] productivity. But the total price has remained the same; but now surplus of $\frac{3}{4}$ of a working day. Every quarter=1 bushel of wheat=6 $\frac{1}{2}$ s. Therefore the total product=26s.=4 bushels. The same as before. The value of capital increased from 13 to 18 $\frac{3}{2}$ s. The value of labour diminished from 13s. to 6 $\frac{1}{2}$; material production up from 2 bushels to 4. [The surplus value of capital] now 18 $\frac{3}{2}$.

If productivity also doubled in gold production, so that if 13s. was previously the product of half a working day, and half a working day the *necessary labour*; now of $\frac{1}{4}$ [of a working day], so produces 52s., or 52–13, or 39s. more. 1 bushel of wheat now=13s.; now, as before, the same fractional price; but the total product=52s.; earlier only=26s. But on the other hand, the 52s. now buy 4 bushels, while the 26 earlier bought only 2.

WELL. *D'abord*, it is clear that, if capital has already raised the surplus labour so far that the whole living working day is consumed in the process of production (and here we take the working day to be the natural quantum of labour time which the worker can place at the disposal [of capital]; he always puts his capacity to work at the disposal of capital only for a *specific time*, i.e. a *specific labour time*), then an increase in productivity cannot increase labour time, nor, therefore, objectified labour time. One working day is objectified in the product, WHETHER THE NECESSARY TIME OF LABOUR BE REPRESENTED BY 6 OR 3 HOURS, BY $\frac{1}{2}$ OR $\frac{1}{4}$ OF THE WORKING DAY. The surplus value of capital has grown, i.e. its value relative to the worker—for if previously it was only= $\frac{2}{4}$, it is now= $\frac{3}{4}$ of the objectified labour time; but its value has grown, not because the *absolute* but because the *relative amount of labour* has grown, i.e. the

^a Crossed out in the manuscript: "because we always take a fractional part of the product as a unit".—*Ed.*

total amount of labour has not grown. Now, as before, one day's work is done; hence no absolute increase in surplus time (surplus labour time), but the *amount of necessary labour has diminished*, and thereby the relative surplus labour has increased.

Previously, the worker IN FACT worked the whole day, but only $\frac{1}{2}$ day surplus time; now, as before, he works the whole day, but $\frac{3}{4}$ of the working day is surplus time. To that extent, therefore, the price (assuming the value of gold and silver to remain the same) or the exchange value of capital has not increased as a result of the doubling of productivity. This therefore affects *the rate of profit*, not the price of the product nor the value of the capital which has been changed back into a commodity in the form of the product. But IN FACT the absolute values also increase in this way, because the part of wealth posited as capital increases—as self-valorising value. (*Accumulation of capitals.*)

Take our earlier example.^a Let *capital* be=100 thaler, and let it split itself up in the process of production into the following component parts: 50 thaler cotton, 40 thaler wages, 10 thaler the instrument. Assume also, to simplify the calculation, that the whole of the instrument of labour is consumed in one act of production (and this assumption here as yet quite insignificant), its value would therefore reappear completely, in the form of the product. Let us assume, in this case, that labour gives 8 hours to capital in exchange for 40 thaler, which expresses the labour time objectified in its living labour capacity, say, a labour time of 4 hours. The instrument and raw material assumed, the total product would amount to 100 thaler if the worker worked for only 4 hours, i.e. if the raw material and instrument belonged to him and he worked for only 4 hours. He would increase the 60 thaler by 40, which he could consume, since he firstly replaces the 60 thaler—the raw material and instrument required for production—and [secondly] adds to them a surplus value of 40 thaler, as reproduction of his own living labour capacity, or of the time objectified in him. He could recommence labour again and again, since he has reproduced in the process of production both the [III-33] value of the raw material and the instrument and of his labour capacity; the latter by constantly increasing the value of the former by 4 hours of objectified labour. But now let him receive the wages of 40 thaler only if he worked for 8 hours, i.e. if he added to the material and instrument of labour now confronting him as capital a surplus value of 80 thaler; while the former

^a See this volume, pp. 239-44.—*Ed.*

surplus value of 40 thaler that he added was exactly equal to only the value of his labour. He would thus add [to the value of the raw material, the instrument and his labour capacity] a surplus value exactly=the surplus labour or surplus time.

//It is not in the least necessary at this point to assume that the material and instrument must also increase along with surplus labour or surplus time. For how mere surplus labour increases the raw material, see *Babbage*, e.g. the working of gold filament [in Venice], etc.^a//

The value of the capital would therefore have increased from 100 thaler to 140 thaler.

//Suppose further that the raw material doubles and the instrument of labour increases (for simplicity of calculation) [proportionally]. The outlays of capital would now amount to 100 thaler cotton, 20 thaler instrument, therefore 120 thaler, and for labour now, as before, 40 thaler; ALTOGETHER 160 thaler. If the surplus labour of 4 hours increases 100 thaler by 40% it increases 160 thaler by 64 thaler. Therefore the total product=224 thaler. Here it is assumed that the rate of profit remains the same with the magnitude of capital, and the material and instrument of labour are not considered as already being themselves realisations of surplus labour, capitalisation of surplus time; as we have seen,^b the greater the surplus time already posited, i.e. the greater the size of capital as such, the more it is assumed that the *absolute increase in labour time* impossible and that relative increase DECLINING in geometrical proportion, because of increased productivity.//

Now, capital considered as simple exchange value would be absolutely greater, 140 thaler instead of 100; but IN FACT only a new value would be produced, i.e. a value which is not necessary just to replace the outlays of 60 thaler for the material and instrument of labour and 40 thaler for labour, a new value of 40 thaler. The values present in the circulation would be increased by 40 thaler, by 40 thaler more objectified labour time.

Now, make the same assumption as before. 100 thaler capital; namely 50 for cotton, 40 thaler for labour, 10 for the instrument of production; let surplus labour time remain the same as in the previous case, namely 4 hours, and the total labour time 8 hours. Hence the product in all cases only=8 hours labour time=140 thaler. Suppose now that the productivity of labour doubles, i.e. 2

^a Ch. Babbage, *Traité sur l'économie des machines et des manufactures*, Paris, 1833, pp. 216-19.—*Ed.*

^b See this volume, pp. 265-66.—*Ed.*

hours would be sufficient for the worker to utilise the raw material and instrument to the extent necessary for the maintenance of his labour capacity. If 40 thaler were the labour time of 4 hours objectified in silver, then 20 thaler would be the objectified labour time of 2 hours. These 20 thaler now express the same use value as earlier the 40 thaler did. The exchange value of labour capacity has diminished by half, because half the original labour time creates the same use value, while the exchange value of the use value is measured only by the labour time objectified in it.

But the capitalist makes the worker work 8 hours as before, and his product therefore represents as before a labour time of 8 hours=80 thaler labour time, while the value of raw material and instrument has remained the same, namely 60 thaler; ALTOGETHER, as before, 140 thaler.

(The worker himself to live would only have had to add to the 60 thaler present as raw material and instrument a value of 20 thaler, he would therefore have produced a value of 80 thaler. Because of the doubling of productivity the total value of his product would have diminished from 100 to 80, by 20 thaler, i.e. by $\frac{1}{5}$ of 100=20%.)

But the surplus time or surplus value of capital is now 6 hours instead of 4, or 60 thaler instead of 40. Its increase is 2 hours, 20 thaler. The capitalist's calculation would now run thus: for raw material 50, for labour 20, for instrument 10; total outlay=80 thaler. Gain=60 thaler. The capitalist would sell the product for 140 thaler as before, but make a gain of 60 thaler instead of the previous 40. In one respect he throws into circulation only the same exchange value as before, 140 thaler, but the surplus value of his capital has grown by 20 thaler. Accordingly, only his share in the 140 thaler [is] the rate of his profit. The worker has IN FACT worked gratis for him for 2 more hours; namely 6 hours instead of 4, and for him it is the same as if he had worked 10 instead of 8 hours, i.e. increased his *absolute labour time*, under the earlier condition.

But in fact, a *new value* has emerged, too, namely, 20 thaler more are posited as *independent* value, as objectified labour, which has become free, relieved of the necessity merely to serve for the exchange of the previous labour power [Arbeitskraft]. This can occur in two forms. Either the 20 thaler are used to set as much additional labour in motion as corresponds to their becoming *capital* and creating increased exchange value, i.e. to their making a greater quantity of objectified labour into the starting point of the new production process. Or the capitalist exchanges the 20

thaler as money for commodities other than those he requires in his production as industrial [III-34] capital; in that case all commodities other than labour and money itself exchange for 20 thaler more, for 2 more hours of objectified labour time. Their *exchange value*, therefore, has risen by precisely this *sum which has been set free*.

IN FACT, 140 thaler are 140 thaler, as the very "astute" French publisher^a of the Physiocrats observes in opposition to *Boisguillebert*. But it is false that these 140 thaler represent only more use value; they represent a greater part of *independent exchange value*, of *money*, of *latent capital*; therefore of wealth posited as *wealth*. This the economists themselves concede when they later allow the accumulation of capitals to comprise not only the increase in the mass of use values but that in *exchange values* too; for according to Ricardo himself,^b the element of the accumulation of capitals is posited just as completely by relative surplus labour—and indeed it cannot be otherwise—as it is by absolute surplus labour.

On the other hand, it is already implicit in the thesis best developed by Ricardo himself¹⁰⁷ that these excess 20 thaler which are created purely by the increase in productivity, can again become capital. Of the 140 thaler, only 40 could earlier have become new capital (leaving aside the consumption of capital for the moment); 100 thaler did not become but remained capital. Now 60 thaler can become new capital, therefore a capital of an exchange value of 20 thaler more is now available. Exchange values, *wealth as such*, have therefore increased, although now, as before, the total sum of wealth has *not* directly increased. Why has wealth increased? Because there has been an increase in that part of its total sum which is not merely means of circulation but money, or which is not merely an equivalent but *exchange value existing for itself*.

The 20 thaler set free would either be accumulated as money, i.e. added to the existing exchange values in the abstract form of exchange value, or they all pass into circulation, and then the prices of the commodities purchased with them rise. They all represent more gold, and, since the cost of production of gold has not fallen (rather it has risen relative to the commodity produced with the capital which has become more productive), more objectified labour. (As a result, the surplus, which initially

^a E. Daire, "Commentaires et des notes explicatives", *Économistes financiers du XVIII^e siècle*, p. 419, Note 1.—Ed.

^b D. Ricardo, *On the Principles of Political Economy, and Taxation*, p. 89.—Ed.

appeared on the side of one producing capital, now appears on the side of the other capitals which produce the commodities that have become dearer.) Or the 20 thaler are directly utilised by the original circulating capital itself as capital. In this way a new capital of 20 thaler—a sum of self-preserving and self-valorising wealth—is posited. Capital has risen by the exchange value of 20 thaler.

(We are not really concerned yet with circulation, for we are dealing here with capital in general, and circulation can only mediate between the form of capital as money and its form as capital; capital as money may realise money as such, i.e. exchange it for commodities, which it consumes in greater quantity than before; in the hands of the producer of these commodities, however, this money is converted into capital. It thus becomes capital either directly in the hands of the first capital, or by a detour, in those of another capital. But the other capital is always once more capital as such; and we are dealing here with *capital as such*, SAY THE CAPITAL OF THE WHOLE SOCIETY. We are not yet dealing with the difference, etc., between capitals.)

In general, these 20 thaler can appear only in two forms: [(1)] as money, so that capital itself once more adopts the determination of money which has not yet become capital—its point of departure; the abstract-autonomous form of exchange value or general wealth; or [(2)] again as capital, as a new domination of objectified labour over living. As general wealth materialised in the form of money (of the thing where it is merely abstract), or as *new* living labour.

///In the example given productivity has doubled, has risen by 100%, the [surplus] value of capital has risen by 50%.///

(Every expansion of the mass of capital employed can increase *productive power* not only in an arithmetic but in a geometric proportion, while—precisely as the multiplier of productive power—it can increase profit only at a much lower rate. The effect of the increase of capital upon the increase in productive power is therefore infinitely greater than that of the increase of productive power upon the growth of capital.)

Of the 140 thaler, the capitalist consumes (say) 20 as use values for himself by means of money as the medium of circulation. Thus, under the first assumption, he could begin the process of self-valorisation only with a greater capital, with a greater exchange value of 120 thaler (as against 100). After the doubling of productivity, he can do it with 140 thaler, without restricting his consumption. A greater part of the exchange values fixes itself as

exchange value, instead of disappearing in use value (whether it directly fixes itself in this way or indirectly through production). To create a larger capital means to create a larger exchange value: although exchange value in its *direct* form as simple exchange value has not been increased by the growth of productivity, it has been increased in its intensified form as *capital*.

This larger capital of 140 thaler^a represents absolutely more objectified labour than did the earlier capital of 120 thaler. [III-35] It thus sets in motion, at least relatively, more living labour, and thus also ultimately reproduces a greater simple exchange value. The capital of 120 thaler at [a rate of profit of] 40% produced a product or simple exchange value of 60 thaler at 40%; the capital of 140 thaler, a simple exchange value of 64 thaler.^b Here then the augmentation of exchange value in the form of capital is also directly posited as an increase of exchange value in its simple form.

It is of the highest importance to grasp this. It is not enough to say, as Ricardo does, that [with increased productivity] exchange value, i.e. the abstract form of wealth, does not increase, but only exchange value as capital.^c In saying this, he only means the original process of production. But when relative surplus labour increases—and thus capital increases absolutely—the *relative* exchange value *existing as exchange value*, money as such, necessarily increases within circulation, and thereby, through the mediation of the production process, also *absolute exchange value*. In other words: a part of this same amount of exchange value (or money)—and it is in this simple form that the product of the process of valorisation appears—(the product is surplus value only in relation to capital, to value as it existed prior to the production process; for itself, considered as independent existence, it is merely *quantitatively determined exchange value*)—has been set free which does not exist as equivalent for existing exchange values nor for existing labour time. If it is exchanged for the existing exchange values, it gives them not an equivalent but more than an equivalent, and therefore sets free a part of the exchange value on their side. In a state of rest, this released exchange value, by which society has enriched itself, can only be money; and then only the abstract form of wealth is increased; when in motion, it can only realise itself in *new* living labour (it may be that previously

^a See this volume, p. 269.—*Ed.*

^b Figures in this paragraph do not correspond to previous calculations.—*Ed.*

^c D. Ricardo, *On the Principles of Political Economy, and Taxation*, pp. 325-26.—*Ed.*

unemployed labour is set in motion or that *new workers* are created (population [growth] is accelerated); or again that a new circle of exchange values is created, that the circle of exchange values in circulation is enlarged, which can occur on the production side, if the released exchange value opens up a *new branch of production*, therefore [creates] a new object of exchange, objectified labour in the form of a new use value; or finally that the same is achieved by the introduction of objectified labour into the sphere of circulation in a new country by means of the expansion of trade. This [new living labour] must therefore be created [by raising productivity].

The form in which Ricardo tries to clarify the matter for himself (and he is very unclear in this respect), *au fond* amounts to nothing more than that he at once brings in a certain relationship, instead of simply saying that of the same sum of simple exchange values a smaller part is posited in the form of simple exchange value (equivalent) and a larger part in the form of money (of money as the original, antediluvian form, which constantly gives rise to capital; of money in its determination as money, not as coin, etc.); that therefore the part posited as exchange value for itself, i.e. as *value*, increases, *wealth in its form as wealth*^a (whereas he comes to exactly the wrong conclusion that wealth increases only in its *material, physical* form as use value). The origin of *wealth as such*, in so far as it does not proceed from *rent*, i.e. according to him not from the *increase* of productivity but, on the contrary, from *its diminution*, is therefore *totally incomprehensible* to him, and he gets entangled in the craziest contradictions.

Let us take the matter in his form. Capital 1,000 sets in motion 50 workers; or 50 living working days. By a doubling of productivity, it could set 100 working days in motion. But these latter do not exist in his premiss and are arbitrarily brought in, because otherwise—if no *more real working days* are brought in—he does not understand the increase of exchange value arising from increased productivity. On the other hand, the *growth of population* is nowhere *analysed* by him as an *element in the increase of exchange values*; he doesn't even clearly and definitely mention it.

Let the given assumption be capital 1,000 and workers 50. The correct deduction—and he *draws* it (see Notebook¹⁰⁸): 500 capital with 25 workers can [with productivity doubling] produce the

^a The following note relating to this passage is written in the upper margin of the next, 36th page of Notebook III: "(Money for itself should be designated neither as use value nor as exchange value, but as *value*.)"—Ed.

same use value as before; the other 500 with the other 25 workers starts a new business and also produces exchange value of 500. Profit remains the same, since it arises not from the exchange of the 500 for the 500, but from the proportions in which profit and the wages of labour originally share in the 500, and the exchange is, rather, that of equivalents, which can increase value here no more than it can in *foreign trade*, in relation to which Ricardo explicitly demonstrates this.^a For exchange of equivalents implies nothing more than that the value which existed in the hand of *A* before the exchange with *B*, still exists in his hand after the exchange with *B*.

Total value or wealth has remained the same [after the doubling of productivity]. But the use value or the *physical substance of wealth* has doubled. Now, there is absolutely no reason why *wealth as wealth, exchange value as such*, should grow at all—so far as the *increase in the productive forces* is concerned. If the productive forces are doubled in both [III-36] branches again, capital *a* can again be divided into two of 250 with 12½ days labour each, and capital *b* can do the same. There are now four capitals, with the same exchange value of £1,000, consuming, as before, altogether 50 living working days // it is *au fond wrong to say* that living labour consumes capital; capital (objectified labour) consumes living labour in the production process // and producing four times as much use value [as] before the doubling of consumption value.

Ricardo is too classical to commit the absurdities of those who claim to improve him, who ascribe the increase in value resulting from the growth of productivity to the fact that one party sells more dearly in circulation. Instead of exchanging the capital of 500, so soon as it has become commodity, simple exchange value, for 500, he exchanges it for 550 (at 10%), but obviously the other obtains in exchange only 450 instead of 500, and the total sum remains 1,000 as before. This occurs quite frequently in trade, but it explains the profit of one capital only by the loss of the other capital, hence not the profit as such of capital as such, and without this premiss, there can be profit neither on one side nor the other.

Ricardo's process [the growth of the mass of use values] can therefore continue without coming up against any other limitation than that of the *increase in productivity* (and this is again physical, initially located outside the *economic relation* itself) which is possible with a capital of 1,000 and 50 workers. See the following passage:

^a *On the Principles of Political Economy, and Taxation*, Chapter VII.—Ed.

"Capital is that part of the wealth of a country which IS EMPLOYED WITH A VIEW TO FUTURE PRODUCTION, AND MAY BE INCREASED IN THE SAME MANNER AS WEALTH" [*On the Principles of Political Economy, and Taxation*, p. 327].

(*WEALTH* is for him here the abundance of use values, and considered from the standpoint of simple exchange, the same objectified labour can express itself in unlimited use values and always remain *the same exchange value*, so long as it remains the same amount of objectified labour, since its *equivalent* is measured not by the mass of use values in which it exists but by its own amount.)

"AN ADDITIONAL CAPITAL WILL BE EQUALLY EFFICACIOUS IN THE FORMATION¹⁰⁹ OF FUTURE WEALTH, WHETHER IT BE OBTAINED FROM IMPROVEMENTS OF SKILL OR MACHINERY, OR FROM USING MORE REVENUE PRODUCTIVELY; FOR WEALTH" (use value) "ALWAYS DEPENDS ON THE QUANTITY OF COMMODITIES PRODUCED" (also to some extent on their VARIETY, IT SEEMS), "WITHOUT REGARD TO THE FACILITY WITH WHICH THE INSTRUMENTS EMPLOYED IN PRODUCTION MAY HAVE BEEN PRODUCED" (i.e. the labour time objectified in them). "A CERTAIN QUANTITY OF CLOTHES AND PROVISIONS WILL MAINTAIN AND EMPLOY THE SAME NUMBER OF MEN; BUT THEY WILL BE OF TWICE THE VALUE" (*exchange value*) "IF 200 HAVE BEEN EMPLOYED ON THEIR PRODUCTION" [*ibid.*, pp. 327-28].

If by means of the increase in productivity 100 produce as much in use values as 200 did earlier, then:

"half of the 200 are dismissed, thus the remaining 100 produce as much as did the previous 200. One-half of the capital can therefore be withdrawn from the branch of industry; just as much capital has been released as labour. And since half the capital performs exactly the same service as previously the entire capital did, two capitals are now formed, etc." (cf. *ibid.*, pp. 39, 40 on international trade,¹¹⁰ to which we must return).

Ricardo does not speak here about the working day; that, if the capitalist previously exchanged half a day's objectified labour for the entire living working day of the worker, he gained, *au fond*, only half a living working day, since he gives the other half to the worker in objectified form and gets it back from him in the form of living labour, i.e. pays the worker half a working day, [he presents it] rather in the form of simultaneous working days, i.e. of the working days of different workers. This changes nothing in the substance of the matter, only in its expression. [As a result of the increase in productive power] each of these working days provides so much more surplus time. If formerly the capitalist's limit was *the* working day, he now has 50 days, etc. As has been said, in this form the increase in the number of capitals arising

from the increase in productivity, does not posit any increase in exchange values; and, according to Ricardo, the population could also decline from say 10,000,000 to 10,000 without a decrease in exchange value or in the quantity of use values (see the conclusion of his book^a).

We are the last to deny that contradictions are contained in *capital*. Indeed, it is our aim to analyse them fully. But Ricardo *does not analyse them*. He SHIFTS THEM OFF BY CONSIDERING THE VALUE IN EXCHANGE AS INDIFFERENT FOR THE FORMATION OF WEALTH. THAT IS TO SAY, HE CONTENTS THAT IN A SOCIETY BASED UPON THE VALUE OF EXCHANGE, AND WEALTH RESULTING FROM SUCH VALUE, THE CONTRADICTIONS WHICH THIS FORM OF WEALTH IS DRIVEN TO WITH THE DEVELOPMENT OF PRODUCTIVE POWERS ETC. DO NOT EXIST, AND THAT A PROGRESS OF VALUE IS NOT NECESSARY IN SUCH A SOCIETY TO SECURE THE PROGRESS OF WEALTH, [III-37] CONSEQUENTLY THAT VALUE AS THE FORM OF WEALTH DOES NOT AT ALL AFFECT THAT WEALTH ITSELF AND ITS DEVELOPMENT, i.e. he considers exchange value as merely *formal*.

But then he suddenly remembers that (1) capitalists are concerned with VALUE; (2) historically, the progress of the productive forces (just as of international trade—he *should* have thought of this) has been accompanied by the growth of *wealth as such*, i.e. of the sum of values. How does he explain this? Capitals accumulate more quickly than the population; therefore wages rise; therefore population; therefore the price of grain; therefore the difficulty of production and therefore *exchange values*. Thus, the latter are finally reached by a detour.

We still here omit altogether the element of rent for at this stage we are concerned not with greater difficulty of production but on the contrary with the growth of the productive forces. With the accumulation of capitals, wages rise, unless population grows simultaneously; the worker marries, stimulus is given to propagation or his children live better, do not die prematurely, etc. In short, the population grows. But its growth leads to competition among the workers, and thus compels the worker once again to sell his labour capacity to the capitalist at, or even for a time below, its *value*. Now the accumulated capital, which in the meantime has grown more slowly, disposes over the surplus—once more as money—which it laid out before in the form of wages, that is as coin, to buy the use value of labour; as money, the surplus can be utilised as capital in exchange for [new] living labour, and since it now also disposes over greater quantities of working days, its *exchange value* grows again.

^a *On the Principles of Political Economy, and Taxation*, pp. 416-17.—Ed.

(Even this not properly analysed by Ricardo, but mixed up with the theory of rent; for the growth of population now deprives capital of the surplus in the form of rent, which it lost before in the form of wages.) But even the growth of population is not really comprehensible in his theory. Nowhere does he show that there is an *immanent* relationship between the whole of the labour objectified in capital and the living working day (whether this is represented as a working day of 50×12 hours or as 12 hours' work by 50 workers, is the same as far as the relationship is concerned), and that this immanent relationship is precisely the *proportion of the fractional part of the living working day*, or of the equivalent for the objectified labour, with which the worker is paid, to the [whole] living working day; where the whole is the day itself and the immanent relationship is the variable proportion (the day itself is a constant magnitude) of the *fraction of the necessary hours of labour* to that of the *hours of surplus labour*. And just because he has not analysed this relationship, he has not demonstrated (and we have not as yet been concerned with this, for we were dealing with *capital as such*, and the development of the productive forces was introduced as an extraneous factor) that the development of productive power itself presupposes both the augmentation of capital and that of the simultaneous working days, but that within the given limits of the capital which sets in motion one working day (even if it be one of 50×12 hours, 600 hours) this development is itself the barrier to the development of its productive power.

Wages include not only the worker, but also his reproduction—so that when this specimen of the working class dies, another replaces him; when the 50 workers are dead, there are 50 new ones to replace them. The 50 workers themselves—as living labour capacities—represent not only the costs of their own production, but the costs that had to be paid to their parents over and above their own wages as individuals in order to replace themselves in 50 new individuals. Therefore the population grows even without a rise in wages. Now, why does it not grow quickly enough? Why must it receive a special stimulus? Surely only because it is of no use to capital merely to obtain more “WEALTH” in Ricardo's sense, it wants to command more *VALUE*, more objectified labour. But, according to him, it can do so in fact only if wages fall, i.e. more living working days are exchanged for the same capital with objectified labour and therefore a greater *VALUE* is produced. To make wages fall, he presupposes an increase in population. And in order to prove increase in population here, he

presupposes that the demand for working days increases, in other words, that capital can buy more *objectified labour* (objectified in labour capacity), hence that its *VALUE* has grown. But originally, he proceeded from precisely the opposite assumption, and made the detour only *because* he started from that assumption. If £1,000 could buy 500 working days and productivity grows, then it can either continue to employ the 500 in the same branch of labour, or split itself up into 2 capitals of 500 and employ 250 in one branch of labour and 250 in another. But it can never command more than 500 working days, for otherwise, according to Ricardo, not only the use values produced by it, but their *exchange value* must have been multiplied, the *objectified labour time* over which it has command. Therefore, if one proceeds from Ricardo's assumption, there can be no greater demand for labour. And if there [III-38] is, then the *exchange value* of capital has grown. Cf. *Malthus on value*,^a who *senses* the contradictions, but comes a cropper when he himself tries to analyse them.¹¹¹

We have always spoken only of the two elements of capital, of the two parts of the living working day, of which the one represents wages and the other profit, the one necessary labour and the other surplus labour. Where, then, are the two other parts of capital, which are realised in the material and instrument of labour? As regards the simple production process, labour implies the existence of an instrument which facilitates labour and of material in which it represents itself, which it forms. This form gives it its use value. In exchange, this use value becomes exchange value to the extent that it contains objectified labour. But as components of capital, are the material and instrument values which labour must replace?

Thus in the above example^b (and such objections are frequently made to Ricardo: he considers only profit and wages as components of the production costs, it is said, not machinery and material) it would seem that, if the capital of 100—splitting itself up into 50 for cotton, 40 for wages, 10 for instrument, and wages of 40 thaler=4 hours of objectified labour—orders a working day of 8 hours, then the worker who would have to reproduce 40 thaler for wages, 40 thaler surplus time (profit), 10 thaler for the instrument, 50 thaler cotton=140 thaler, reproduces only 80 thaler. For 40 thaler [wages] is the product of half a working day,

^a Th. R. Malthus, *The Measure of Value Stated and Illustrated*.—Ed.

^b See this volume, pp. 268-70.—Ed.

40 of the other, surplus half. But 60 thaler is the value of the two other components of capital. Since the real product of the worker is 80 thaler, he can reproduce only 80, not 140. Rather, he would have diminished the value of the 60 [instrument and material], since, of the 80, 40 is replacement of his wages; and the remaining 40 surplus labour is smaller than 60 by 20. Instead of a profit of 40, the capitalist would have suffered a loss of 20 on the original part of his capital consisting of instrument and material.

How is the worker to produce another 60 thaler value in addition to the 80, seeing that one-half of his working day, as his wages show, produces only 40 thaler with the instrument and material; the other half only produces the same amount; and he disposes of only one working day, as he cannot work two days in one?

Let us assume that the 50 thaler material= x pounds of cotton yarn; the 10 thaler instrument=the loom. Now, first as regards the *use value*, it is clear that, if the cotton were not already in the form of yarn and the wood and iron already in that of the loom, the worker could not produce any *cloth*, any higher use value. For the worker himself in the production process, the 50 thaler and the 10 thaler are *nothing more than yarn and loom, not exchange values*. His labour has given them a higher use value, and added to them an amount of objectified labour of 80 thaler, namely 40 thaler in which he reproduces his wages and 40 surplus time. The use value—the cloth—contains one working day more, one-half of which, however, replaces only that part of capital in return for which the right to dispose over the labour capacity is exchanged. The worker did not produce the objectified labour time contained in the yarn and loom and constituting part of the value of the product; for him they were and remain material to which he has given a new form and in which he has incorporated new labour. The only condition is that he must not *WASTE* them, and he has not done so, to the extent that his product has a use value, indeed a higher use value than before. It now contains two parts of objectified labour—his working day, and the labour already present in his material, yarn and loom, independently of him and prior to his labour.

The labour previously objectified was the condition of *his* labour; it alone made it into labour but cost him no labour. Assume that they [yarn and loom] were not already presupposed as components of capital, as *values*, and had not cost *him* anything. Then the value of the product, if he had worked for a whole day, would be 80 thaler, if for half a day, 40 thaler. It would just=an objectified working day. They did not, in fact, cost him anything

in production. But that does not cancel out the labour time objectified in them, which remains and only receives another form. If the worker had to produce during the same working day the yarn and loom as well as the cloth, the process would IN FACT be impossible. It is precisely the fact that they do not require his labour either as use values in their original form or as exchange values, but are already *present*, which makes it possible to create with the addition of a day's labour a product of a value higher than that of a day's labour. But he succeeds in this in so far as he does not have to produce this surplus over and above a day's labour but *finds* it already *available* as material, as premiss.

It can therefore only be said that he reproduces these values in so far as they would go to waste, would be useless, *without* labour; but *labour* would be equally useless *without them*. So far as the worker reproduces these values, he does not do so by giving them a higher exchange value or entering into any process with their exchange value, but just by subjecting them to the simple process of production, merely by *working*. [III-39] But it costs him no more labour time *besides* that which he requires for their working-up and their higher valorisation. It is a condition under which capital has set him to work. He reproduces the value of material and instrument only by giving them a higher value, and this process of giving them a higher value=his day's labour. In other respects he leaves them as they are. The preservation of their old value derives from the addition of a new one, not from the production or *reproduction* of the old value itself. In so far as they are products of previous labour, a product of previous labour, i.e. a sum of previously objectified labour, remains an element of his *product*; the product contains the previous value as well as the new.

In fact, therefore, he produces in this product only the working day which he adds to it, and the preservation of the old value costs him absolutely nothing apart from what it costs him to add the new. For him the old value is only material and remains such, no matter how it changes its form; therefore it is something present *independently* of his labour. It does not concern him, it concerns capital, that this material which remains, as it only receives another form, itself already contains labour time; it is also *independent* of his labour and continues on *after* it as it existed before it. This so-called reproduction does not cost him any labour time but is the condition for his labour time, for it is nothing but the positing of the substance on hand as the material of his labour, relating to it as material.

He therefore replaces the old labour time by the *act* of labouring itself, not by the application of particular labour time for this purpose. He replaces it simply by the addition of *new* labour time, whereby the old is preserved in the product and becomes an element of a new product. The worker therefore does not replace with his working day the raw material and instrument, in so far as they are values. *The capitalist thus obtains this preservation of the old value just as free of charge as he obtains surplus labour.* But he obtains it free of charge [not] because it costs the worker nothing, but because the material and instrument of labour are already in his hands as *presupposition* and the worker thus cannot *work* without making the labour already present in objectified form in the hands of capital into the material of his labour, and thereby also conserving the labour objectified in this material. The capitalist, then, pays the worker nothing for the fact that the yarn and the loom—to wit their value—reappears in the cloth, and has thus maintained itself as value. This preservation results simply from the addition of new labour, which adds higher value.

From the original relationship between capital and labour, it therefore emerges that the same service which living labour renders to the objectified labour by means of its relation to it as living, does not cost capital anything, any more than it does the worker, but merely expresses the fact that the material and the instrument of labour confront him as capital, as premisses *independent* of him. The preservation of the old value is not an act separate from the addition of the new, but occurs of itself; appears as the natural result of it. But the fact that this preservation costs capital nothing, and costs the worker nothing either, is already posited in the relationship of *capital and labour*, which in itself is already the profit of the one and the wages of the other.

The individual capitalist can imagine (and for his calculation it serves the same purpose) that, if he owns a capital of 100 thaler, 50 thaler cotton, 40 thaler provisions with which to buy labour, 10 thaler instrument; plus a profit of 10% counted on his production costs, then labour has to replace his 50 thaler in respect of raw cotton, 40 thaler provisions, 10 thaler instrument, and 10% of 50, 40 and 10 respectively; so that in his imagination labour creates for him 55 thaler raw material, 44 thaler provisions, 11 thaler instrument, ALTOGETHER=110. But for economists¹¹² this is a peculiar notion, although asserted with great pomp as an innovation against Ricardo.

If the working day of the worker=10 hours, and he can produce 40 thaler in 8 hours, i.e. produce his wages or, what is the same thing, maintain and replace his labour capacity, he requires $\frac{4}{5}$ of a day to compensate capital for his wages and gives capital $\frac{1}{5}$ of a day surplus labour or 10 thaler. Capital therefore receives in exchange for the 40 thaler wages, for 8 hours of objectified labour, 10 hours of living labour, and this surplus constitutes its entire profit. The total objectified labour which the worker has created, then, is 50 thaler, and whatever may be the costs of instrument and raw material, he cannot add any more to them, for his day cannot objectify itself in more labour. So now, by the fact that he has added to the 60 thaler raw material and instrument the 50 thaler—10 hours labour (of which 8 are merely the replacement of his wages)—he has at the same time preserved the material and the instrument—they are preserved just by again coming into contact with living labour and being utilised as instrument and material. This costs him no labour (and he would have no time available for it), nor is he paid for it by the capitalist. Like every natural or social power of labour which is not the product of earlier labour or is not the product of such earlier labour as must be repeated (e.g. the historical development of the worker, etc.), this animating natural power of labour—namely that while it utilises material and instrument it preserves them in one form or another, and thus preserves also the labour objectified in them, their exchange value—this power becomes the *power of capital*, not of labour. Hence also not paid for by capital, any more than the worker is paid for his ability to think, etc.

[III-40] We have seen that originally the prerequisite for the appearance of *capital* is the *value* which has become independent of and *opposed to* circulation—i.e. the commodity for which the character of exchange value is not a purely formal, vanishing character facilitating its exchange for other use values and ultimately leading to its disappearance as an object of consumption—*money as money*, that is money withdrawn from circulation and *negatively* asserting itself as opposed to it.^a On the other side, *money* (in its third, adequate form^b)—as value which no longer enters circulation as an equivalent, but is not yet potentiated to the level of capital, i.e. *negative* value independent of and opposed to circulation—again results from the product of capital, in so far as that product is not merely the *reproduction* of the capital (but this

^a See this volume, pp. 182-204.—*Ed.*

^b *Ibid.*, pp. 151-52.—*Ed.*